

NEWS SUMMARY

GENERAL

Turkish army warns leaders

Turkish generals gave a strong warning to the country's political parties yesterday, and urged them to agree on measures to counter rampant terrorism.

The generals' statement, which criticised the parties for squabbling, was read over the state-controlled radio.

While the generals did not state what they would do if the parties failed to co-operate, many observers expect the military to demand a bigger role in running the country if the internal crisis deepens. Back page.

Front criticism

Both wings of the Patriotic Front attacked Britain's administration of the ceasefire and election process in Rhodesia. They called for postponement of the February election and tomorrow's ceasefire deadline. Back page. Poll registration delay. Page 3.

Republican held

Sinn Féin vice-president, Gerry Adams, 31, and another man, were arrested by troops and police in Belfast. Police said they were found in a house whose occupier was away.

Home sales row

Bitter argument is raging over the cost to Britain of proposals contained in the Housing Bill. Opponents to the bill say the wide-scale disposal of council houses will result in big losses. Page 6.

Man detained

Canadian police detained a man aged 21 in connection with the fire at a club in the mining town of Chappais, in which at least 42 people died and 50 were injured.

Earthquake toll

The earthquake at the Portuguese Atlantic islands, off the Azores caused at least 33 deaths and left more than 400 injured. Portugal's President Eanes flew to Terceira island to survey damage.

Relief stopped

The United Nations World Food Programme has suspended emergency food shipments to Kampuchea because supplies already sent have not been distributed. The organisation hopes to resume shipments in February.

Indian election

Indians start voting today in a general election which could return Indira Gandhi, 62, to power after nearly three years. Back page.

Sailing aids

Satellite navigation aids for sailing boats are likely to generate much interest at the 26th International Boat Show, which opens at the Earl's Court, London, today. UK company Thomas Walker took a firm order for its equipment last night. Page 5.

Lean year

The annual tilt of the Leaning Tower of Pisa, Italy, is slowing down. Last year it moved less than 2 mm, compared with 4.6 mm in 1973.

Briefly...

Labour MP Dennis Skinner was "satisfactory" in Chesterfield Royal Hospital after falling from his bicycle on a moorland road.

Ten people, including seven children, died in a fire at a block of flats in Rotterdam, Holland.

Guillermo Vilas of Argentina retained the Australian open tennis title, beating American John Sadri.

BUSINESS

Sterling up 2.2c; Equities 7.2 down

STERLING rose 2.2c from Monday to close at \$2.2420. Its trade-weighted index was unchanged at 70.2. DOLLAR lost ground with current uncertainty over events in Iran and Afghanistan and fell to DM 1.7130, sharply weaker than Monday's close of DM 1.7250. Its trade-weighted index slipped to 84.6 (85.0).

GOLD recorded its biggest one-day movement ever in London to close at a record \$567.5, a rise of \$41 an ounce or nearly 8 per cent since Monday.

EQUITIES were overshadowed by the steel strike and the FT 30-share index closed 7.2 down at 407.0, only a shade above its 1979 low.

GOLDS followed the rise in bullion and the FT Gold Mines



index jumped 10.5 to 258.5, its highest since September 16, 1975.

GILTS trading was below average and the Government Securities index fell 0.49 to 64.61.

WALL STREET was down 12.93 at 326.71 near the close.

NORTH SEA oil prices are expected to be raised to over \$30 a barrel within the next few days following new pricing levels set by African producers. Back page.

BRITISH AEROSPACE is to join a major new European joint weapons manufacturing consortium set up by the UK, France and West Germany. Back page.

GENERAL ACCIDENT group, the UK's largest motor insurer, is to raise premium rates by 12 per cent on February 1, only six months after its previous revision. Page 6.

HOUSE prices are expected to rise only half as fast in 1980 as they did last year according to the Abbey National Building Society. Page 5.

LABOUR

TGWU water workers are being balloted on taking industrial action over a pay offer worth 13.1 per cent rejected by union officials representing 33,000 manual workers. Page 6.

HOSPITAL laboratory technicians will be asked to consider selective strike action in the emergency blood transfusion and pathology services unless the NHS improves on-call payment rates by the middle of the month. Page 9.

COMPANIES

MILFORD DOCKS chairman C. A. V. Smith said recent criticisms of the company by a group of dissident shareholders are erroneous, ill-judged or misleading. Page 14.

PEARL ASSURANCE reported an exceptional rise in its industrial life business with new annual premiums advancing overall in 1979 by 27.8 per cent to \$40m (£31.3m) and single premiums up 68 per cent at £20.2m (£12.4m). Page 14.

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISER		FALLS	
Abercrom	130 + 10	Vaal Reef	239 - 2
Cradley Printing	52 + 3	Western Deep	219 - 1 1/2
SASOL	158 + 8	Zambia Copper	48 + 5
Anglo American	720 + 140	Treas. 12pc 1984	589 - 7
Anglo Amer. Gold	237 + 24	Barclays Bank	414 - 12
Asbitt Mining	167 + 9	Boaker McConnell	255 - 10
CRA	265 + 16	Bowater	145 - 6
Cons. Gold Fields	388 + 30	Bowring (C. T.)	126 - 7
Cons. Murchison	380 + 30	Fairview Estates	180 - 10
De Beers Dfd.	455 + 32	GECC	326 - 6
De Beers	489 + 26	Grindlays Bank	120 - 12
De Beers Ltd.	1134 + 24	GKN	233 - 9
Durban Deep	2134 + 24	Hawker Siddeley	174 - 6
East Rand Prop.	785 + 110	Land Secs.	228 - 8
Harmony	273 + 33	Metal Box	338 - 12
Impulse Platinum	273 + 33	NatWest Bank	175 - 8
Leonard Oil	80 + 16	Royal Elec.	317 - 11
MMI Holdings	232 + 22	Taylor Woodrow	268 - 6
Rustenburg Plat.	246 + 35	Thorn Elec.	268 - 6
South African Land	187 + 27		
Tanks Con.	272 + 22		

Full TUC support for steel strike

BY NICK GARNETT, LABOUR STAFF

THE TUC put its full weight yesterday behind the national steel strike as union attempts to block all steel imports and restrict movement in Britain of public-sector produced steel identified.

Iron end steelmaking was at a standstill throughout the British Steel Corporation yesterday on the first day of the strike by 100,000 members of the Iron and Steel Trades Confederation and the National Union of Blastfurnacemen.

The TUC is telling affiliated unions that they should give maximum support to the dispute and to do nothing to jeopardise prosecution of the strike.

It is also issuing some advice on picketing, which depending on the extent to which steel unions receive co-operation from other unions will affect the impact the strike makes on manufacturing industry.

The TUC will advise unions that picketing must be kept under control of the ISTC and the Blastfurnacemen's union. The decision to do this

followed a meeting at the TUC between Mr. Len Murray, its general secretary, and general secretaries of unions in the steel industry including Mr. Moss Evans, leader of the Transport and General Workers' Union.

These unions expressed full support for the strike. Though the Transport Workers, which has the majority of workers on the docks and in road transport, has not yet formally decided its position, Mr. Evans will recommend that drivers do not move materials in or out of BSC premises, and that imported steel should not be moved from the docks.

Steel imports generally continued to move through ports normally yesterday.

The National Union of Railwaysmen agreed to tighten instructions to its members on handling of steel after a meeting with Mr. Bill Sims, general secretary of the Iron and Steel Trades Confederation.

The NUR, after the decision by ASLEF, the train-drivers' union will instruct its members

not to handle steel imports or move BSC steel now in transit, or material to or from BSC.

The International Transport Workers' Federation, after discussions with Mr. Sid Weighell, NUR general secretary, issued instructions to its affiliated unions to block movement of steel to Britain.

Strike effects Page 5
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It is uncertain how quickly that direction will be transmitted through the unions' structures, or how far it will be obeyed.

Mr. Murray said that unions were concerned to achieve a quick settlement by maintaining full solidarity and putting maximum pressure on the corporation "to get them to recognise some of the facts of life."

The dispute appeared to stem from the exceedingly rigid stand of the government and the determination of the Government to impose its

theoretical monetary policies on negotiations, with the result that they have seized up," Mr. Murray said.

BSC, which has had large losses, has offered the steel unions 6 per cent, linked to productivity and other changes, with what it says is the prospect of a further 10 per cent from local productivity deals.

Although the unions do not intend to interfere with production and distribution of steel from the private sector they say they will not accept private manufacturers' increasing production during the dispute.

Union officials say that picketing of private steel manufacturers is designed to ensure that this does not happen.

The impact of picketing is likely to vary from area to area and it is unclear how stockholders, some of whom were picketed yesterday, will be affected.

The steel unions could have difficulty in stopping steel imports through small ports, particularly on the East Coast.

Gold soars to \$567.5 as metal prices surge

BY DAVID MARSH IN LONDON AND STEWART FLEMING IN NEW YORK

GOLD SOARED \$41 to a record closing price of \$567.5 in London yesterday as tension over Afghanistan triggered heavy demand for metals and mining shares on international commodity and stock markets.

On the foreign exchanges, the dollar weakened to close at its lowest ever levels against the Deutsche Mark, amid signs of a further drop in U.S. interest rates. The West German Bundesbank supported the dollar with its heaviest intervention for several weeks. Sterling rose more than 2 cents to \$2.2420, back to its highest level since mid-September in spite of the steel strike.

Silver gained \$2.85 to a peak of \$17.25 per ounce on the London bullion market, up 20 per cent from New Year's Eve, when it had already risen by 16 per cent.

Platinum also reached a record high, closing up \$63 compared with New Year's Eve at \$750 per ounce. The surge in precious metal prices sparked sharp rises for copper and other base metals on the London Metal Exchange.

Gold mining shares in London recorded one of their highest one-day rises, with the FT gold mines index closing at its highest level since September 1975.

In New York, heavy buying of mining shares temporarily halted trading in the most active stocks on the New York and American stock exchanges yesterday morning.

Among shares in which trading was suspended were Engelhard Minerals and Chemical, St. Joe Minerals, Asarco and Homestake Mining. On the Paris stock exchange, afternoon quotations for gold bullion and coins were suspended after the sharp rise in the morning.

Stock exchange trading generally was fairly narrow after the New Year break in New York and Europe. The unprecedented gains on the London bullion market also occurred in very thin conditions.

The London Swiss Government pressure, dropping to DM 1.7130 from Moody's 1.7250 and SwFr 1.5770 from SwFr 1.5950.

The Bundesbank was thought to have purchased about \$150m in support intervention throughout the day, buying \$24.5m at the midday Frankfurt fixing alone.

Sterling fell against a number of European currencies, with its weighted depreciation remaining unchanged at 70.2.

The Jurek Martin reports from Washington: Mr. Paul Volcker, chairman of the Federal Reserve Board, said yesterday the volatile and speculative nature of the gold market demonstrated that the metal was an unsuitable instrument to serve as any form of basis in a stable international monetary system.

Answering questions after an address to the National Press Club, the head of the U.S. Central Bank said that, as far as he was aware, the state of the gold market was not something "which attracts the close attention of my official colleagues overseas."

The longstanding U.S. Treasury policy of demonetising the role of gold was one "which has my full support," he said.

John Wicks adds from Zurich: The Swiss Government has the right to clarify the implications of its new tax on retail transactions on gold coins and bullion.

M. Francois Laodrag, secretary general of the Swiss Finance Ministry, said Tuesday's announcement that such transactions would be subject to 5.8 per cent sales tax would have no effect on the international gold trade.

Interbank dealing would be unaffected by the measure, and the turnover tax was refundable for export sales.

Commodities news. Page 23

Iran moves to withdraw funds

BY MICHAEL LAFFERTY, BANKING CORRESPONDENT

IRAN IS seeking to withdraw deposits from British banks, Senior London bankers said yesterday that the move became apparent just before Christmas, and seemed primarily to be a reaction by the Iranians against Mrs. Thatcher's statement of support for the U.S. in the crisis over occupation of the Tehran embassy.

Concrete evidence of the Iranian move, which has been speculated about for some time, came yesterday from one of the major banks, which conceded that Iran had requested withdrawal of its deposits. The bank said that most of the funds affected were on short-term deposits of less than one year.

In line with the Bank of England's guidance in this matter, the banks are understood not to be allowing such deposits to be withdrawn before their term expires. They do not plan to block the withdrawals.

Mr. Ali Mavi-Rad, head of overseas finances at Bank Markazi, Iran's central bank, told a U.S. news agency that Iran had moved part of her estimated \$13bn in overseas deposits from banks in Europe to other countries as a precaution against possible UN sanctions.

It does not necessarily follow that withdrawal of Iranian funds from London will remove liquidity.

First, it is thought likely that funds deposited with banks outside London will eventually find their way back through the Euromarkets.

Secondly, there are indications that substantial deposits were switched to non-U.S. London banks after President Carter's decision to freeze Iranian deposits with banks in the U.S.

Waldheim talks. Page 3

SOVIET INVASION OF AFGHANISTAN

Carter looks at options

BY JUREK MARTIN, U.S. EDITOR IN WASHINGTON

PRESIDENT CARTER yesterday convened a special session of his senior foreign policy and military advisers in the White House to draw up the U.S. response to the Soviet invasion of Afghanistan.

Though officials flatly refused to speculate on what might emerge from the meeting, the principal options appeared to include:

An appeal to the United Nations General Assembly for a resolution condemning Russian aggression. This may incur the risk of the Soviet Union subsequently vetoing any resolution by the Security Council in favour of sanctions against Iran, if the current mission of Mr. Kurt Waldheim, UN Secretary-General, to Tehran fails to secure the release of the U.S. hostages.

A request to the Senate to defer consideration of the Strategic Arms Limitation Treaty with the Soviet Union. Officially, the Administration still maintains that SALT should be viewed on its own merits. But the political climate for passing the treaty has worsened materially as a result of the Afghan invasion.

A cut in trade with the Soviet Union, including the possible banning of future grain sales.

A symbolic gesture, such as initiating a boycott of this summer's Olympic games, due to be held in Moscow. Theoretically, since the Olympic Games are supposed to embrace individual, not national, competition, the U.S. Government could do no more than advise its citizens not to take part.

An acceleration of shipments of military supplies to affected countries in the region, particularly Pakistan, which the U.S. has promised to defend. There is concern that such action could adversely affect U.S. relations with India.

The White House session is also taking account of the discussions held by the NATO authorities on Tuesday, at which Mr. Warren Christopher, Deputy Secretary of State, sounded out the allies on a concerted approach.

Meanwhile, the State Department dismissed as "a crude ruse to cover up Soviet imperialism" the charges published in Izvestia, the Soviet newspaper, that the Central Intelligence Agency was actively supporting the Afghan insurgents.

The Afghan rebellion, the spokesman said, was clearly "the indigenous and self-sustaining uprising of a fiercely independent people" and should in the future be seen as a reaction "to the imposition of brute military force."

Red Army spans borders

BY ALAIN CASS IN ISLAMABAD

SOVIET TROOPS are fighting their way across Afghanistan in an arc stretching from the border with the Soviet Union and down the length of the frontier with Pakistan. They are under the command of a Moslem general from Tashkent.

In spite of Moscow's insistence that the Afghan army is doing most of the fighting against rebel forces it is clear that the Soviet invasion is meeting steady resistance both from the rebels and from units of the Afghan army, although most of it is confined to barracks.

The Soviet invasion appears to be bitterly opposed by most Afghans. The armed resistance by Afghan troops, and a flood of about 400,000 refugees across the border, reported from Pakistan is less a reflection of support for the late President Hafizullah Amin than a sign of entrenched opposition to foreign rule of any kind.

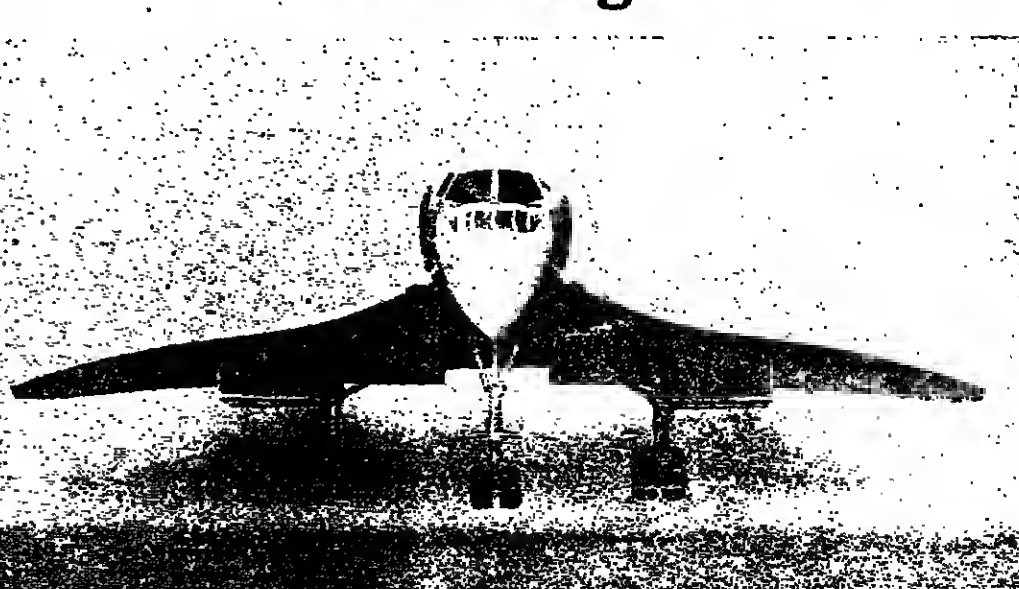
The fact that the Soviet commander in charge — said to be Major-General Moussa Yevanov

Continued on Back Page

E in New York

	Dec. 31	Previous
Spot	\$2.3100-2150/\$2.2290-2310	
1 month	0.48-0.51 dis 0.48-0.48 dis	
3 months	1.26-1.18 dis 1.16-1.10 dis	
12 months	8.56-8.40 dis 8.46-8.40 dis	

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EUROPEAN NEWS

Paris earmarks
£840m to soften
oil price impact

BY DAVID WHITE IN PARIS

THE FRENCH Government is to pump FF 7.5bn (£840m) worth of special credits into industrial investments this year in order to soften the impact of the latest oil price increases. The Cabinet at its weekly meeting decided to authorise this heavy new injection from the State's specialised lending bodies, backing up a package of investment incentives bought out in April last year.

It said the measure was aimed at stopping investment programmes from running out of steam as the country's oil bill soars by about 40 per cent to an anticipated level of over FF 100bn (£11.7bn) for the year. The funds are to be channelled into investments for creating jobs, saving energy and increasing exports, the Government spokesman said.

At the same time, M. Raymond Barre, the Prime Minister, has commissioned a report on the taxing of oil companies. The Ministries of the Budget and of Industry are due to come up with joint proposals in March.

Price increases on refined oil products, including petrol, are to be announced today, reflecting the series of crude price rises ensuing from last month's OPEC meeting in Caracas. Gas and electricity rates are also due to go up.

In addition the rise in rates, likely to be more modest than those for gas and petrol. The French electricity generating board is to be given extra backing to help finance its nuclear programme. This includes a rise in state contribution and an improvement in the board's borrowing terms.

To gain acceptance for decisions taken in the light of the problem, President Valéry Giscard d'Estaing told his Cabinet an "intense explanation effort" would be needed, as well as compensatory social measures. As the first of these, the Government is offering special assistance to pensioners and handicapped people to offset the rise in energy prices.

Fewer easterners, more
westerners visit Hungary

BY LESLIE COLT IN BERLIN

HUNGARY, Eastern Europe's leading tourist country, reports that there was a sharp drop last year in the number of east European shoppers visiting the country, mainly on one-day trips to buy products in short supply at home. However, there was a steep rise in tourism from the West that brought in a record amount of hard currency.

Millions of Polish and Czechoslovak shoppers have been attracted to Hungary in the past by the abundance of consumer goods. Poles flew from Warsaw to buy the more fashionable Hungarian clothing as well as foodstuffs. Hungary put an end to this by introducing a stringent exchange regulations requiring Czechoslovaks and Poles to change larger amounts of their currency into Hungarian forints, thus making short stays unprofitable. Limitations were also imposed on the amount of food that visitors could take home.

The drop in shoppers from eastern countries is expected to have led to a fall in the total number of visitors in 1979 to 18m from 17m in 1978.

The Budapest Review reports that the number of visitors from "capitalist countries" had risen 25 per cent to 1.8m by the end of October 1979. Of the total, 1.2m were tourists. The largest single nation increase was from Austria—up 280,000 as a result of the abolition of visa requirements for Austrian citizens.

Hungary's hard currency income from western visitors rose 55 per cent. The review says one reason was that the percentage of their spending made up of legally exchanged currency had risen. Hungary improved the tourist exchange rate for western currencies by 14 per cent last year, thus bringing the rate closer to the black market figure.

Austrians
expect
50% cut
in growth

By Paul Lendvai in Vienna

AUSTRIA'S ECONOMY will grow this year by 2.5-3.2 per cent compared with the 5 per cent estimated for 1979, according to the Institute for Economic Research and for Higher Studies.

The rate of inflation is expected to rise from 3.6 per cent in 1979 to 4.75 per cent this year, and the visible trade deficit to increase from Sch 59.5bn (£2.1bn) to Sch 72.4bn (£2.8bn). The shortfall on current account should widen from Sch 24.9bn to Sch 31bn.

The institutes' figures represent a downward revision of forecasts made last September. The higher fuel bill in the wake of the latest oil price increases is expected to be at least Sch 43bn—Sch 10bn up on the 1979 figure.

As a result of slower growth and restrictive budgetary policy, real earnings are forecast to stagnate or possibly fall slightly. In contrast, investments in real terms should rise by 3.5 per cent and industry is expected to increase capital spending by 13 per cent.

Unemployment, however, is thought likely to rise only marginally from 2 per cent in 1979 to 2.4 per cent this year. But the fact that the number of foreign workers will be cut by 10,000 should not be overlooked.

Compared to most other countries in Europe, the Austrian performance is still likely to be better than average. Last year, Austria was foremost in terms of stability and growth. However, both Chancellor Bruno Kreisky and his deputy, Mr. Hannes Androsch, the Finance Minister, have warned that the country's economic situation will deteriorate.

Speaking in a New Year radio broadcast, Mr. Kreisky underlined that the maintenance of full employment and of the strength of the Austrian schilling will remain the priority objectives of economic policy. Modernisation of industry and aid for the less developed border regions have also been mentioned as important targets.

Chilly New Year message for Hungarians

BY OUR VIENNA CORRESPONDENT

HUNGARIANS HAVE been told by their leaders that they face frozen wages and static living standards for the foreseeable future.

Mr. György Lazar, the Prime Minister, and Mr. Lajos Faluvegy, Finance Minister, have said that only through restored economic equilibrium and a sustained increase in efficiency, output and profitability can they hope for a further growth of real incomes.

Speaking in the Budgetary debate in Parliament, Mr. Lazar warned that the new economic regulators coming into force this year would weed out inefficient producers and enforce a large-scale re-deployment of labour.

Economic growth this year is expected to be 3-3.5 per cent against 1-1.5 per cent last year. The Government has repeatedly warned that a great deal still

remains to be done in adapting the economy to changed international conditions.

Mr. Faluvegy said Hungary's hard currency trade deficit was halved last year compared with 1978, and hinted that the country would be more "restrained" in external borrowing during 1980. Consumer prices would be up by 3.7 per cent this year, following an unprecedented 9 per cent jump in 1979, he added.

In accordance with the new austerity measures aimed at putting the economy on a more self-supporting basis, investments this year will be 20 per cent down on last year's figure. After rises of 17 per cent in real wages and 21 per cent in real incomes during 1979, Mr. Faluvegy admitted that real incomes this year would be slightly lower than in 1979. This

year, and probably for a few years after, Hungarians would be able only to maintain their already achieved standard of living, "taking the society as a whole."

The Government had ordered a thorough supervision of the business activities of 31 enterprises and 22 large agricultural complexes, the Minister added. Several major State concerns had received financial assistance "to overcome their problems."

Denmark's
foreign
debt rises

Denmark's net foreign debt rose from Dkr 61bn to Dkr 90bn (£8.76bn) in 1979, or to 23.4 per cent of last year's gross domestic product, provisionally estimated to be Dkr 341bn, according to the Bureau of Statistics. The current balance of payments deficit rose from Dkr 7.7bn in 1978 to Dkr 15bn, writes Hilary Barnes in Copenhagen.

The GDP rose 3 per cent in real terms last year compared with 1 per cent in 1978. Imports rose 7 per cent, exports 8 per cent, public consumption 6 per cent and private consumption 2 per cent, while net fixed investment fell 0.5 per cent.

Industrial output is estimated to have risen by 1 per cent, agricultural output by slightly less and building and construction fell about 5 per cent. Unemployment was reduced from an average level of 7.4 per cent in 1978 to 6.2 per cent. Consumer prices over the year rose almost 12 per cent.

Reksten retrial bid

Norway's Attorney-General is to appeal against the acquittal last month of Mr. Hilmar Reksten on all major charges of tax frauds and violation of currency regulation. Reuter reports from Oslo.

The Attorney-General's office said that should the Supreme Court reject a retrial, the Attorney-General would seek a retrial.

Gibraltar election

A general election is to be held in Gibraltar on February 6, although one was not due until autumn next year. Our Gibraltar correspondent writes that the Chief Minister, Sir Joshua Hassan, has decided to call an election at a time when his Labour Party is at its strongest ever in the Gibraltar House of Assembly.

W. German chemicals confidence

BY KEVIN DONE IN FRANKFURT

WEST GERMANY'S chemicals industry is entering 1980 confidently, with order books standing at a high level. Some of the major companies in the industry, Hoechst, Bayer and BASF, have enjoyed their second best year of the decade with sales booming and profits staging a sharp recovery.

The West German Chemical Industry Association says that sales for the entire sector have broken the DM 100bn (£26bn) barrier for the first time. The value of chemicals sales rose in 1979 by some 15 per cent compared with 1978.

Much of the increase was caused by surging demand for petrochemical products, as customers built up stocks ahead of price increases arising from the series of rapid jumps in the price of crude oil.

The biggest contribution to the growth of the general industry came from exports, which increased by some 20 per cent in 1979 compared with 1978, to a valuation estimated at some DM 44bn (£11.5bn). Exports accounted for about 43

per cent of the industry's total production.

At the same time, imports of chemicals also rose sharply by some 25 per cent to reach a value of about DM 25bn.

Price rises during the year, particularly for petrochemical products such as plastics, which were under severe pressure in much of 1978, contributed a lot to the industry's higher figures. But there was also a 6 per cent real growth in the volume of production.

The higher level of capacity utilisation led to a direct improvement in the chemical industry's profitability, said the association, particularly for high-volume products.

Chemicals prices rose sharply during 1979, with the industry's price index increasing by an average of 7 per cent. But the industry warned that companies had still not passed on the entire increases in raw materials costs. The price of naphtha, the major oil feedstock for the manufacture of basic petrochemicals, had increased by more than 100 per cent during

1979. Despite the present high level of order books, the chemicals association sounds some warning notes about the development of the industry in the second half of next year. Rising oil prices will lead to a slowing of growth in both domestic and foreign markets, and the present high level of customer stocks adds a major factor of uncertainty.

Compared with the heavy organic chemicals sector, consumer products have shown a rather slower growth during 1979. Sectors such as pharmaceuticals, cosmetics, detergents, and paints have all shown growth rates below the average for the industry.

Pharmaceuticals has had to rely for much of its growth on export markets, with foreign sales rising by some 14 per cent in the first nine months of last year compared with the same period in 1978 to reach a value of DM 3.7bn (£970m). Pharmaceuticals imports rose during the same period by 16.4 per cent to DM 2.2bn.

Dutch forecast a slower 1980

BY CHARLES BATCHELOR IN AMSTERDAM

THE DUTCH chemical industry forecasts a slow-down this year following a "generally good" 1979. Stocks built up by customers last year to cushion against political and economic uncertainties will probably be drawn on in 1980, said Mr. Eppie Ter Horst, chairman of the chemical industry association (VNCI).

Volume sales are expected to rise by only 2.3 per cent this year following the 6 per cent rise in 1979. Cash sales went up 19 per cent last year to about F1 25bn (£3.9bn). Investments are expected to decline to F1 1.31bn (£310m)

from F1 1.34bn last year. The chemical industry forms an important part of the Dutch economy, accounting for 13 per cent of industrial turnover and 18 per cent of all exports.

The most successful chemical sector in 1979 was pigments and dyes where volume growth was 15 per cent. Volume sales this year are expected to be unchanged, however. Organic products sales will rise only 1 per cent this year compared with 12 per cent in 1979, while plastic sales will increase by 3 per cent compared with 10 per cent.

Sales of pharmaceuticals fell 4 per cent last year but will be

unchanged in 1980. Cosmetics sales are expected to fall 1 per cent after a decline in 1979 of 2 per cent.

A major problem facing chemical companies is the price of naphtha which has doubled in the past 12 months. The industry has been able to pass on these higher costs in prices but it is unclear whether it can continue to do this. Naphtha now accounts for 85 per cent of the price of chemical intermediate products.

Chemical producers also face a shortage of skilled production workers despite the high level of unemployment.

D-mark
up 3.7%
over year

By Our Frankfurt Correspondent

THE DEUTSCHEMARK appreciated in value by 3.7 per cent during 1979 against the currencies of West Germany's 23 leading trade partners, the Bundesbank said yesterday. The major appreciation was shown against the Japanese Yen, which has fallen sharply on foreign exchange markets in recent months. Over the last 12 months the value of the Yen has fallen by 29.9 per cent.

The relatively strong performance of sterling during the past year means that this was one of the few currencies to record a gain against the D-mark during 1979. The Deutsche Mark was effectively devalued against sterling by 3.6 per cent over the past 12 months as a result of sterling being buoyed up by rising oil prices.

The value of the D-mark increased against the U.S. dollar by 5.6 per cent, and this process has continued in the first dealings of the new year with the dollar being marked down to \$1.71 on the Frankfurt foreign exchange markets.

Within the European monetary system the D-mark showed an average gain of 2.3 per cent against other member currencies with the strongest appreciation shown against the Danish krone in a rise of 11.7 per cent.

The West German federal railways plan a DM 700m DM 750m loan to be issued on the domestic bond market next week, officials of the railways finance division told Reuter in Frankfurt.

The West German Industry Federation meanwhile, says increasing foreign trade burdens on the economy, mainly from rising oil prices, will reduce the room for growth this year. In an economic forecast, it said the outlook for economic and social progress was good, however, if everyone was prepared to renounce excessive demands.

Giving a push to the Community's transport development

BY JOHN WYLES IN BRUSSELS

AN INVITATION to discuss "transport infrastructure" usually sparks a rush for the door in the European Economic Commission.

But Britain's demands for a substantial reduction in its expected £1.2bn net contribution to the EEC's 1980 budget will probably bring the subject closer to the limelight.

This will be gratifying to Mr. Richard Burke, the EEC Transport Commissioner, who has been trying to generate interest for three years. An indication that his perseverance was paying off came in November when the Commission published his long-awaited Green Paper.

A seed had been sown, for a week later the Commission finalised a document for the heads of government summit in Dublin naming transport infrastructure as an area in which Community spending in Britain might be boosted.

Spending on coal and agriculture was also mentioned but it was the opportunities in transport which received the least tepid reception from leaders of the Nine.

The summit's final communiqué ordered the Commission to undertake a deeper examination of the possibilities of channelling more Community funds into Britain in the areas of coal, agriculture and transport restructuring.

That the summit did not throw transport out on its ear was significant because the only EEC grants in this area are through the European Regional Development Fund, which limits both their geographical scope and their financial size: throughout the Community they add up to only about £35m. At this level they could make little dent in Britain's EEC budget deficit, which means heads of government may have had something else in mind.

If so, this could be an opportunity for Mr. Burke to breathe life into a Commission proposal first tabled in June 1976. It provided for a financial regulation to allocate a specific section of the Commission's budget for projects which are of special importance to the Community but which founder on lack of national interest or on the unwillingness of national governments to provide funding.

The proposal did not take off, mainly for political reasons. Adding a new expenditure section to the Commission's budget upsets some countries because it adds to the powers of Brussels. Others are unenthusiastic because they see no immediate financial advantages to themselves; the West Germans are wary because they know they will have to carry a heavy share of the cost.

But Mr. Burke's Irish enthusiasm is bubbling because the events of recent weeks offer him an unprecedented opportunity to mobilise political support behind his goal of greater Community involvement in developing transport infrastructure.

He has support in the European Parliament. The controversial amendments to the 1980 budget which culminated in confrontation with the Council of Ministers and Parliament's eventual rejection of the entire budget included a modest £32.5m for transport spending. This was a Parliamentary gesture designed to underline its desire to weaken the dominance of agriculture in the EEC budget.

Thus, there is a possibility that when Parliament and the Council agree on a compromise budget a sum may be earmarked for new transport links.

This would give a strong push to Mr. Burke's efforts to persuade the Nine to adopt the Commission's proposed financing regulation legally empowering the Community to fund certain projects.

Equally important will be the delicate behind-the-scenes negotiations to settle the British problem. Mr. Burke dreams probably include a heads-of-government summit in March, committing the Nine to adoption of the financing regulation as part of a solution to the wrangle with Britain.

This would make real the possibility of EEC involvement in financing a Channel bridge or tunnel. In seeking to define transport links in which the Commission could become involved, Mr. Burke's Green Paper dutifully presented a list of projects which offered benefits to each EEC member.

The project selected for a study by the consultants Coopers and Lybrand to help define criteria for determining community interest in various schemes is the various alternatives for a cross-Channel link.

The Coopers and Lybrand work is to help determine the Community advantages in such a link, not to decide the relative desirability of one scheme over another. British Rail and SNCF, the French national railway, have already produced a joint plan for a tunnel. Thus Britain's desire for more EEC money, a measure of Anglo-French agreement on a project

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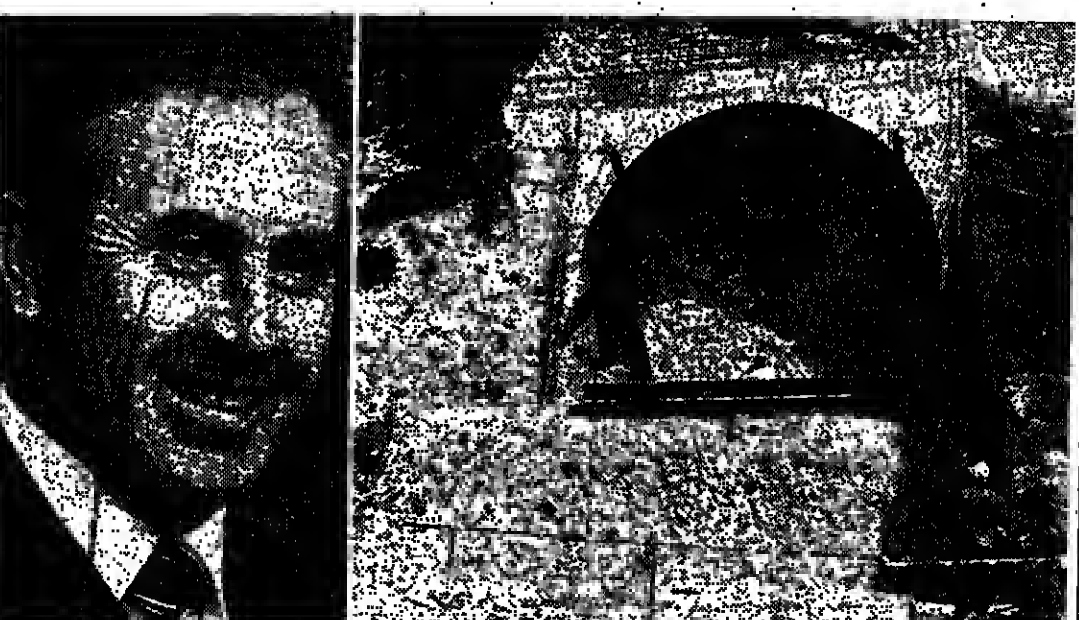
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The abandoned Channel Tunnel (right) is one transport project which EEC Commissioner Richard Burke (left) hopes may receive Community support

and a growing desire within the Commission to produce a more credible common transport policy as mandated by the Treaty of Rome may yet convince in more the EEC out of one particular policy rut and into developing transport links to the Commission's budgetary problem.

But it is too early to conclude that this will happen. The balance of prediction in the EEC must always point towards inaction or slow progress.

Call for 21 to
be tried over
Moro tragedy

ROME — An Italian prosecutor yesterday demanded that 21 people be brought to trial on charges related to the kidnapping and killing by Red Brigades terrorists of Sig. Aldo Moro, the former Prime Minister. At the same time, he urged that the case against three Left-wing intellectuals, Prof. Antonio Negri, Sig. Franco Pizzuto and Sig. Lantano Pace, be separated from the trial of the others to allow deeper investigations. The three are alleged to be the ideological brains behind the terrorists who kidnapped Sig. Moro in 1978 and killed him after 54 days' captivity.

Sig. Guido Guasco, the prosecutor, asked that six people be brought to trial for both the ambush in which Sig. Moro was seized by gunmen who killed his five bodyguards, and his later assassination.

NOTICE OF REDEMPTION
To the Holders of
Phillips Petroleum International
Investment Company
6% Guaranteed Sinking Fund Debentures Due 1981
Due January 15, 1981

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Indenture dated as of January 15, 1966 under which the above-described Debentures were issued, Morgan Guaranty Trust Company of New York, as Trustee, has selected for redemption on January 15, 1980, through operation of the Sinking Fund, at the principal amount thereof, together with accrued interest to said date, \$820,000 principal amount of the above-described Debentures, each in the denomination of \$1,000 bearing the serial numbers with the prefix letter "A" as follows:

Outstanding Debentures bearing serial numbers ending in any of the following two digits:

01	10	13	17	21	38	40	41	57	59	60	65	70	71	80	84
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Also Debentures bearing the following serial numbers:

2435	5335	6335	7335	8335	12335	14335	16335	18335	20335	22335	24335
4035	5535	6535	7535	8535	12535	14535	16535	18535	20535	22535	24535

On January 15, 1980, the Debentures designated above will become due and payable in such coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts. Said Debentures will be paid, upon presentation and surrender thereof with all coupons outstanding thereto matured at the redemption date, at the option of the holder either (a) at the corporate trust office of Morgan Guaranty Trust Company of New York, 30 West Broadway, New York, New York 10015, or (b), subject to any laws or regulations applicable thereto in the country of any such offices, at the main offices of Morgan Guaranty Trust Company of New York in Brussels, Frankfurt am Main, London or Paris or Banco Commercial Italiana in Milan or Bank Mees & Hope NV in Amsterdam or Banque Internationale à Luxembourg S.A. in Luxembourg. Coupons due January 15, 1980 should be detached and collected in the usual manner. Payments at the offices referred to in (b) above will be made by check drawn on a bank in the City of New York or by transfer to a dollar account maintained by the payee with a bank in such City.

On and after January 15, 1980 interest shall cease to accrue on the Debentures herein designated for redemption.

Phillips Petroleum International Investment Company

Dated: December 13, 1979

NOTICE

The following Debentures previously called for redemption have not as yet been presented for payment:

M-924	4751	7572	7703	8833	10445	12221	15257	18064	18420	17054	37149	17515	19755	20250	21554	22611
1114	4858	7580	7705	8854	10446	12222	15258	18065	18421	17055	37150	17516	19756	20251	21555	22612
1115	4859	7581	7706	8855	10447	12223	15259	18066	18422	17056	37151	17517	19757	20252	21556	22613
1251	7552	7693	8208	8955	10450	12226	15262	18069	18425	17059	37181	17518	19758	20253	21557	22614
1252	7553	7694	8209	8956	10451	12227	15263	18070	18426	17060	37182	17519	19759	20254	21558	22615
1351	7554	7695	8210	8957	10452	12228	15264	18071	18427	17061	37183	17520	19760	20255	21559	22616
1352	7555	7696	8211	8958	10453	12229	15265	18072	18428	17062	37184	17521	19761	20256	21560	22617
1451	7556	7697	8212	8959	10454	12230	15266	18073	18429	17063	37185	17522	19762	20257	21561	22618
1452	7557	7698	8213	8960	10455	12231	15267	18074	18430	17064	37186	17523	19763	20258	21562	22619
1453	7558	7699	8214	8961	10456	12232	15268	18075	18431	17065	37187	17524	19764	20259	21563	22620

AVCO FINANCIAL SERVICES
ACQUIRE RED DRAGON SECURITIES

Avco Financial Services Limited ("A.F.S.") announces the acquisition of Red Dragon Securities Limited ("RDS"). In making the announcement William A. Barrett, Avco's Vice President and General Manager said:

"We are pleased to have this fine company in our group and welcome their employees to our team. We are looking forward to expanding all of RDS's banking activities in the U.K."

Avco has given assurances to the vendor, (the T. Cowie Group) that the interests of staff, customers and depositors will be fully safeguarded.

A.F.S. Ltd. is a wholly owned subsidiary of Avco Financial Services Inc. (A.F.S.I.) whose headquarters are in Newport Beach, California, U.S.A. The British Company currently has in excess of £28 million in outstanding receivables and a network of 76 branch offices located throughout the U.K.

The parent A.F.S.I. with nearly 3 billion dollars in receivables is the world's third largest consumer finance company, operating from more than 1,000 branch offices in 5 countries: U.S.A., Canada, Australia, Japan and U.K. employing more than 10,000 people.

In addition to its consumer finance business, A.F.S.I. owns two large insurance groups Avco Financial Insurance Group and the Paul Revere Life Insurance Group. Other major subsidiaries include Carter Travel Inc., the U.S. based tour operator, which this year opened its first U.K. branch office.

RDS provides banking services, and its main activity is secured lending; currently with almost 7,000 customers and depositors. The long and fine experience of RDS in this field, and the expertise of its team of employees will dovetail well with the successful lending operations of A.F.S.I. Ltd.

It is anticipated that this combination of skill, together with the financial resources of an international company will provide an excellent base for the further U.K. expansion of the Avco Financial Group.

AVCO
FINANCIAL SERVICES LIMITED
205 OXFORD ROAD, READING, TEL: READING 59534

BASE LENDING RATES

Waldheim talks 'satisfactory,' say Iranians

BY SIMON HENDERSON IN TEHRAN

TALKS between Dr. Kurt Waldheim, the United Nations Secretary-General, and the Iranian Foreign Minister, Mr. Sadegh Qoutadeh, were described as 'satisfactory' by the Iranian side yesterday. But at the end of Dr. Waldheim's first full day in the Iranian capital, the Iranian side appeared to have been made towards resolving the issue of the U.S. hostages held in Tehran.

Dr. Waldheim had a three-hour meeting with Mr. Qoutadeh in the morning. The Minister said afterwards that the UN Secretary-General now understood Iran's point of view for the first time.

An afternoon visit to a convalescent home to see people who had suffered under the Shah's regime was delayed because of a demonstration. High school students supporting the Iranian holding the hostages at the U.S. Embassy had called for the demonstration, saying that there should be no negotiations with the UN envoy.

Dr. Waldheim's itinerary for today is not known but it seems that his trip is likely to become the fact-finding mission that the Iranians have called it.



Dr. Waldheim: delayed by demonstration

Iran has insisted throughout on seeing the crisis as a struggle to free itself of the legacy of past U.S. policy towards Iran. It appears that Dr. Waldheim is to make any progress he will have to learn about the split power structure in Iran as well as the history of the country's arguments with the U.S.

The generally accepted analysis of the power division at present sees Ayatollah Khomeini as isolated by the ruling Revolutionary Council during Dr. Waldheim's visit. The council is thought to be anxious to find a way of releasing the hostages so as to defuse the crisis. Yet the Ayatollah is capable of damming the visit with a word.

The Revolutionary Council seems to be trying to avoid that fate by not allowing the Ayatollah to make a comment. Two council members have told journalists that Khomeini is not prepared to meet Dr. Waldheim but have refused to allow them to be quoted, and have discouraged the story in the domestic press.

A foreign news agency which rang up the Ayatollah's office in Qom and gained the same information, found itself under criticism from the Foreign Ministry for carrying the story.

Dr. Mohammed Beheshti, secretary-general of the council, held a Press conference yesterday at which he did not mention the return of the Shah as a condition for the hostages' release.

Using words described by reporters as 'very vague,' he said the creation of a real possibility of a trial of U.S. policy in Iran, the Middle East and the Third World would help.

It is not known how long Dr. Waldheim intends to stay before returning to New York for a Security Council meeting next Monday at which the imposition of economic sanctions against Iran is to be discussed again. But given the difficulties, a diplomat in Tehran was still able to describe himself yesterday as cautiously optimistic about the outcome of the Waldheim visit.

Patricia Newby reports from Canberra on Australia's prospects for the 1980s

Fraser hopes to strike it lucky

THE AUSTRALIAN Government has unveiled plans for development of the country's abundant coal reserves in the 1980s to provide power for infrastructure projects and to meet international demand for alternative energy sources as oil prices rise.

The six Australian state governments and the federal Government have agreed to borrow abroad A\$800m (£400m) for coal-fired power generating projects in addition to A\$1.7bn which the governments agreed to borrow a year ago for infrastructure projects. A feasibility study is already under way into the electrification of the Sydney-Melbourne rail link.

The strategy for the 1980s is to capitalise on the expected dramatic increase in the demand for Australian coal both domestically and internationally. Much of the development will focus on Australia's largely untapped steam-coal deposits which are suitable for power generation. Long-term export contracts for coking coal used in the steel industry have already been written and Japanese Steel Mills are currently considering opening another coking coal mine in Australia.

Part of domestic demand will come from plans to increase Australia's aluminium smelting capacity from the present 257,000 tonnes a year to 2.5m tonnes by the end of the 1980s. Mr. Malcolm Fraser, the Prime Minister, is anxious that the country's development in the next decade should not be hindered by lack of energy. Tax concessions for industries converting from oil to coal have been extended to 1984.

At the same time a survey of 74 mining companies by the Australian Mining Industry Council shows that the industry expects to spend A\$1bn in capital works requiring energy, a 23 per cent increase over the previous financial year. King coal will also be used to attract foreign investment and operations in Australia to make use of cheap energy, broadening the industrial base and providing employment opportunities.

Although most commentators believe these developments have a sound economic basis, the Fraser Government is extracting the maximum mileage out of them with unemployment likely to be an issue in the next federal election.

Mr. Fraser and his Ministers have made six speeches recently on the theme of 'Australia—the lucky country.' Mr. Fraser described the 1980s as 'an exciting decade that will see development and investment unparalleled in our country.'



Mr. Malcolm Fraser: aid to election prospects

He said Australia entered the decade with abundant resources, nearly 70 per cent self-sufficiency in oil, a lower inflation rate than the average of members of the Organisation for Economic Co-operation and Development and the country's trading partners. Exports were

up about 17.4 per cent this year, imports were down and Australian industries were more competitive than they had been for many years, Mr. Fraser said.

In the stock market the all-ordinaries indices on the Sydney and Melbourne stock exchanges have risen to new peaks in the past few weeks.

The tide of capital outflow in September and October reversed in November despite higher interest rates in Britain and the U.S. There was a balance of payments surplus last month after deficits in September and October and unemployment fell unexpectedly for the first time for two years to 5.4 per cent of the workforce.

The mood of optimism with which the Government wants to imbue the people is helped by higher international reserves, growing wealth in the member countries of the Association of South East Asian Nations (ASEAN), which offers expanded markets for industrial goods, and bumper wool and wheat production.

However, while not denying Australia's inherent advantages as it faces the 1980s, some commentators have suggested that all that glitters is not gold. Mr. Maximilian Walsh, managing editor of the Australian Financial Review, described Australia in his recently published book 'Poor Little Rich

Country' as a 'willing quarry for the rest of the world during the 1980s, but little more than that.'

Mr. Walsh and others say that the development planned for the 1980s will not remove unemployment as most of the projects envisioned are capital intensive. It is predicted that divisions may develop within society between the employed and the jobless leading to social tension and a rise in crime.

Australia's political stability is contrasted with its poor record on industrial harmony and there are indications that the 10 per cent inflation rate will rise because of prospects of a wage push following several years of centralised wage fixing.

The Industries Assistance Commission and the Institute of Applied Economic and Social Research have gloomily forecast that Australia's high tariffs on manufactured goods are leading to a distorted industrial base that will never be competitive in world markets.

After several years of recession, many Australians are only too ready to warm to Mr. Fraser's lucky country theme and to believe in coal-powered and even diamond-studded future—if encouraging reports of diamond discoveries in Western Australia come to fruition.

Rise of 47% expected in Bahrain's oil income

BY OUR SAHRAIN CORRESPONDENT

BAHRAIN'S oil income is expected to rise 47 per cent by 1981, according to the second two-year Budget presented by Mr. Ibrahim Abdul Karim, Minister of Finance and National Economy. Oil now provides 70 per cent of total revenue, against 60 per cent in 1978-79.

But as production from the Bahrain field falls by 5.6 per cent a year, more reliance will be placed on Bahrain's half share of income from Saudi Arabia's Abu Safa field. This already accounts for 54 per cent of the \$1.25bn (£570.7m) contribution from oil.

At Bahrain, oil income (£1.8bn) is 21 per cent bigger than two years ago. Of this, \$1bn is allocated to recurrent expenditure with wages and salaries for Government employees accounting for 55 per cent, Civil Service man-

Refugee ship not part of a conspiracy

BY L. DANIEL IN TEL AVIV

HONG KONG — The captain and four crew members of the freighter Sky Luck, which brought 2,642 Vietnamese refugees to Hong Kong last year, were acquitted of conspiracy charges yesterday.

The five, all Taiwanese, were accused of conspiring to defraud the colony Government by making false statements.

The Hong Kong-owned Sky Luck arrived last February. The authorities refused to admit the refugees and the vessel remained anchored off Lamma Island, west of Hong Kong, until June 20. The refugees then cut the anchor chains so as to beach the freighter.

The court acquitted the captain, Hsiao Hui-pin, 42, and crew because it found the intention was to take the refugees to the Philippines, not to Hong Kong, Kerner

5% rise in Israel GNP for second year running

BY L. DANIEL IN TEL AVIV

ISRAEL'S gross national product rose by 5 per cent in 1979 for the second year running. Inflation reached 115 per cent, and the balance of trade deficit increased by \$750m to \$4.14bn, according to figures issued by the Central Bureau of Statistics.

Private consumption grew by 7 per cent and public consumption declined by 3 to 4 per cent due largely to a reduction in defence imports.

Exports increased by only 1.6 per cent in real terms as a result

of a slump in diamond sales. Other industrial exports jumped by 20 per cent. The overall rise in exports compares with an increase of 3 per cent in 1978, 12 per cent in 1977 and 16 per cent in 1976.

The drop in the value of the Israeli pound failed to match the rise in inflation. Even sterling, which appreciated most vis-à-vis the Israeli pound, increased in value by less than 100 per cent, and the dollar by less than 90 per cent.

Bid to tighten grip on Arab land

BY DAVID LENNON IN TEL AVIV

ISRAEL is seeking to tighten its legal controls over privately-owned Arab land in the occupied territories in a way which will fall just short of the outright 'annexation' ruled out by the Camp David agreement.

Mr. Shmuel Tamir, Minister of Justice, said yesterday that the Government's legal adviser was preparing 'a wide range of options' for changing the legal status of private Arab land on the West Bank and Gaza Strip.

The legal adviser was asked to prepare these options for presentation to the Cabinet, which in a few weeks, is due to debate the legal status of the Israeli settlements in the occupied territories.

Mr. Tamir announced the move at a meeting with a group of Knesset (Parliament) members who want to ensure the future status of the settlements. They are concerned that the legal precedent set by the Supreme Court ruling that the Eilon Moreh settlement was established on land seized illegally would affect existing

and planned settlements. The Cabinet would study the options and decide the political consequences of each, the Minister added.

His intention was to ensure that Jewish settlements could continue without legal impediments. 'The aim is to prevent problems in the future.'

The Government coalition yesterday easily defeated no-confidence motions in the Knesset over the Cabinet's decision to postpone the evacuation of Eilon Moreh.

Rhodesia poll registration delay

BY MARK WEBSTER IN SALISBURY

THE 11 political parties which have registered for the February election in Rhodesia now have until January 14 to decide what names and abbreviations they wish to use for the ballot.

The parties originally had until December 31 to register, and the delay in finalising the registration was necessary to allow the Patriotic Front to decide whether it will stand as one party, or whether the two wings — Mr. Robert Mugabe's Zimbabwe African National Union and Mr. Joshua Nkomo's Zimbabwe African People's Union — will stand independently.

Confusion also exists over the fact that there are two ZANU parties — one claiming loyalty to the Rev. Ndabaningi Sithole and the other to the Patriotic Front. One or both of them

may be obliged to change their names.

Of the 11 parties, only four are likely to command any widespread support, with five others having at best a chance of picking up one or two of the 80 seats in the new Parliament.

Many of the parties display strong tribal affiliations and are counting on the system of proportional representation.

The biggest unknown factor in the election will be the backing for the two wings of the Patriotic Front. They did not contest the April 1978 internal settlement elections but they are thought to have considerable support.

The largest of the remaining parties is the United African National Council, led by Bishop Abel Muzorewa, the former Prime Minister. He gained 51 of the 72 black seats in the April

elections but subsequently lost some to desertions to other parties.

The most significant defection from UNAC was by Mr. James Chikerema who took eight MPs with him to form the Zimbabwe Democratic Party. He will fight the next elections independently.

Two moderate black parties which contested the April elections are standing again in February, but are not expected to do well. The United National Federal Party led by Chief Kayisa Ndiweni won nine seats in April, but will meet stiff opposition from the returning ZANU wing of the Patriotic Front.

Chief Jeremiah Chirwa's Zimbabwe United People's Organisation did not actually win any seats in the last ballot but came close in some constituencies.

NOTICE OF REDEMPTION

To the Holders of

ENTE NAZIONALE IDROCARBURI E.N.I.

(National Hydrocarbons Authority)

6½% Sinking Fund Debentures due February 1, 1982

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Sinking Fund for the Debentures of the above-described issue, Morgan Guaranty Trust Company of New York, as Fiscal Agent, has selected by lot for redemption on February 1, 1980, at the principal amount thereof \$1,006,000 principal amount of said Debentures, as follows:

Outstanding Debentures of U.S. \$1,000 Each of Prefix "M" Bearing Serial Numbers Ending in the Following Two Digits:

06 19 27 34 51 53 55 58 59 67 96

Also Outstanding Debentures of Prefix "M" Bearing Serial Numbers:

5652 7452 7552 8552 12552 13552 17552 21752

On February 1, 1980, there will become due and payable upon each Debenture the principal amount thereof, in such coin or currency of the United States of America as on said date is legal tender for the payment therein of public and private debt, at the option of the holder, either (a) at the corporate trust office of Morgan Guaranty Trust Company of New York, 13th Floor, 30 West Broadway, New York, N.Y. 10015, or (b) subject to any laws and regulations applicable thereto with respect to the payment, currency of payment or otherwise in the country of any of the following offices, at the principal office of Banca Nazionale del Lavoro in Rome or the principal office of Banca Commerciale Italiana in Milan or the main office of Morgan Guaranty Trust Company of New York in London, Brussels, Paris or Frankfurt or the main office of Algemeene Bank Nederland N.V. in Amsterdam or the main office of Kredietbank S.A. Luxembourg in Luxembourg-Ville.

Debentures surrendered for redemption should have attached all unattached coupons appurtenant thereto. Coupons due February 1, 1980, should be detached and collected in the usual manner. From and after February 1, 1980, interest shall cease to accrue on the Debentures herein designated for redemption.

ENTE NAZIONALE IDROCARBURI

By: MORGAN GUARANTY TRUST COMPANY

as NEW YORK, Fiscal Agent

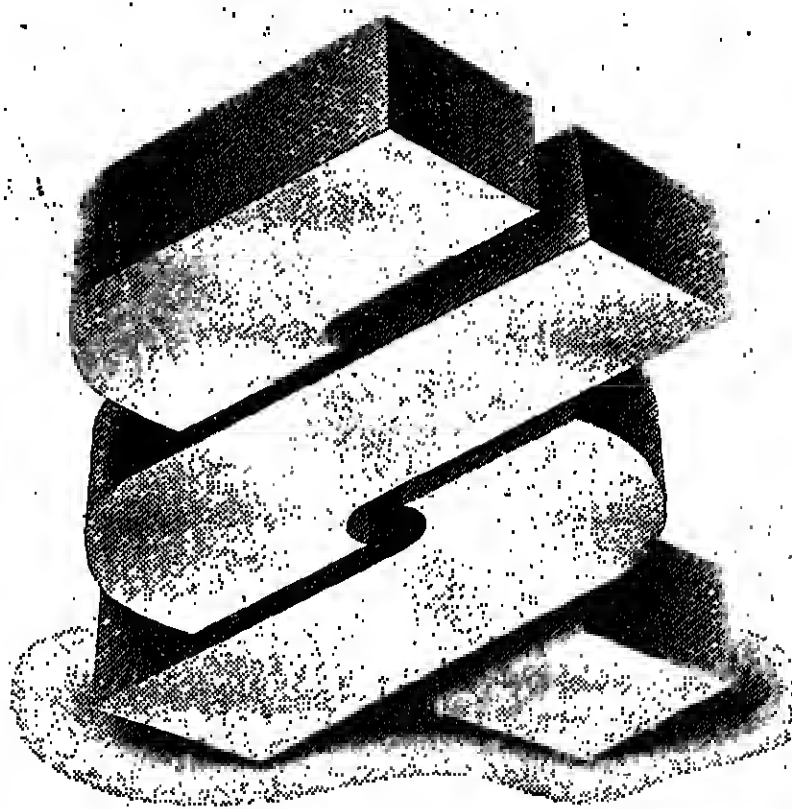
December 22, 1979

NOTICE

The following Debentures previously called for redemption have not as yet been presented for payment:

DEBENTURES OF U.S. \$1,000 EACH

165 2649 8235 10682 10701 10732 12658 16477 16430 16450 16465 16471 16494 17822 21858
264 3680 7405 10685 10708 10734 12656 16478 16432 16452 16468 16475 16490 17820 22504
265 8004 9409 10686 10709 10735 12657 16479 16433 16453 16469 16476 16491 17821 22505
266 8005 10687 10710 10736 12659 16480 16481 16482 16483 16484 16485 16486 16487 16488
267 8006 10688 10711 10737 12660 16489 16490 16491 16492 16493 16494 16495 16496 16497
268 8007 10689 10712 10738 12661 16498 16499 16500 16501 16502 16503 16504 16505 16506
269 8008 10690 10713 10739 12662 16507 16508 16509 16510 16511 16512 16513 16514 16515
270 8009 10691 10714 10740 12663 16516 16517 16518 16519 16520 16521 16522 16523 16524



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Already one of the largest finance houses

It is almost certain that Chartered Trust will be a new name to you even though we are already one of the top Finance Houses in the United Kingdom.

But that's not surprising because, until recently, our national network of branch offices covering most major cities and towns throughout the U.K. offered Banking, Leasing, Instalment Credit and Industrial Finance through Hodge Finance Limited, Hodge Leasing Limited and Julian S. Hodge & Company Limited.

Yes, Chartered Trust is the new name for what was previously known as Hodge and as members of Standard Chartered Bank Group inherit a most impressive pedigree. Chartered Trust are part of Britain's largest independent

international Bank who have 1,500 offices in sixty countries and assets of £12,000 million. A good starting point for any new company.

That's enough about us — what can we offer you? Apart from our very extensive portfolio of financial facilities, all our offices are staffed by experienced and knowledgeable personnel waiting to advise and assist you.

So, although you may not have heard of our new name before — why not get to know us? For the time being, we are still listed under Hodge in the telephone directory. We have a big future in front of us and a big bank behind us.



Chartered Trust Limited

A member of
Standard Chartered Bank Group

HEAD OFFICE: 24-26 NEWPORT ROAD, CARDIFF CF2 1SR. TELEPHONE: 0222 42577 TELEX: 49589

AMERICAN NEWS

Presidential front runners stand aloof from Iowa

BY JUREK MARTIN, U.S. EDITOR IN WASHINGTON

THE AMERICAN electoral season begins in earnest less than three weeks from now, but it appears that the critical first act, to be played in the Midwestern state of Iowa, will go on stage without the two leading performers.

Both President Jimmy Carter and Mr. Ronald Reagan, currently the leaders for the Democratic and Republican Party presidential nominations, will not take part in a pair of debates between the candidates.

Mr. Carter has pleaded preoccupation with international affairs in withdrawing from the debate scheduled for next Monday with Senator Edward Kennedy and Governor Jerry Brown, which he had been so eager to enter a couple of months ago when he trailed Mr. Kennedy badly in the public opinion polls. As a result, the Democratic debate has been cancelled.

The dramatic rise in Mr. Carter's popularity stemming from patriotic support for his policies over Iran has once again, if temporarily, conferred on him the mantle and advantages of incumbency.

His advisers now believe that, with the Kennedy campaign off to a stumbling start and with Governor Brown's candidacy apparently unable even to take off, the best place to wage

political war is from the highly visible White House.

On the Republican side, the Reagan strategy has been to keep the candidate above the fray. He never had any intention of participating in his party's debate in Iowa, due to take place this Saturday, and thus run the risk of being toppled from his front-runner's perch by some misstatement in the hurly burly of debate.

The Reagan side also believes that so well organised and financed are the campaigns in individual states—and so well known is Mr. Reagan's position on a variety of issues—that this is a low risk approach. Certainly the Iowa polls suggest that Messrs. Connally, Baker, Bush et al will be hard pushed to defeat Mr. Reagan in the party caucuses on January 21.

President Carter ought to be less confident in his confrontation in Iowa with Senator Kennedy. Iowa is not a predictable state, with its generally prosperous mix of agriculture and industry, it tends towards conservatism (which ought to help Mr. Carter) but has a history of intermittently espousing liberal views (a potential boost for Mr. Kennedy).

Organised labour, especially the car workers union, is quite strong in Iowa and is pulling for the Senator, on the other

hand, one of the two principal teachers' unions is also effective in the state—and is supporting President Carter. The rural areas are thought to be leaning towards the President but that preference could be altered if the President decided to show his disapproval of the Soviet invasion of Afghanistan by barring future sales of American grain to Russia.

Mr. Carter must also be concerned that the Iowa Democratic faithful will heed Mr. Kennedy's complaint that, international crises notwithstanding, the President ought to meet his obligation to face the electorate. This could be compounded if, over the next two and a half weeks, the freedom of the hostages in Tehran is not secured.

Certainly all the Republican candidates are bound to stress foreign policy in their expositions on Saturday night. This week, Mr. William Brock, the National Party chairman, gave them licence to do so when he declared that Mr. Carter had been engaged in a "policy of deception" by invoking national unity over Iran in order to cover up fundamental weaknesses in the conduct of foreign policy that had made possible both the seizure of the embassy in Tehran and the Soviet invasion of Afghanistan.

Nevertheless, the bottom line



President Carter... preoccupied with international affairs

for both parties and all candidates in Iowa is likely to be the effectiveness of grass roots organisation. The Carter effort there is reckoned to be tested and professional, probably better at this stage than Mr. Kennedy's.

On the Republican side, it is thought that the Reagan organisation is equally proven: neither Senator Baker, in particular, nor, in spite of his wealth, Mr. Connally have yet shown themselves to possess well-run campaigns. The experts expect Mr. George Bush to do well, however, largely because they have been impressed by his ability to turn out supporters in strength in several once-binding straw votes in assorted states late last year.

UN impasse on Security Council seat

By Our UN Correspondent

The United Nations Security Council has begun 1980 one member short of its full complement of 15 nations, creating an unprecedented constitutional crisis which could spell trouble for future efforts to deal with the Iran problem, and possibly also with events in Afghanistan.

The General Assembly, which adjourned on New Year's Eve after its 148th attempt failed to break a deadlock between Soviet-backed Cuba and Western-backed Colombia, contenders for the remaining seat, will try again tomorrow in further rounds of secret balloting.

A two-thirds majority is required for election. Although Cuba has been consistently absent since the balloting began on October 25, it has been unable to break the Colombians' "blocking third," estimated at a minimum of 53 votes in the 151-nation assembly.

Five times over the years, such impasses have been resolved by agreement between contestants to divide the two-year Council term. The Cubans have adamantly rejected this solution, although it is acceptable to Colombia, on certain conditions.

If the Security Council were not already in the midst of dealing with critical matters, the problem created by the deadlock would not be so acute, because most delegates believe that eventually it will be solved.

But with a Council session scheduled for next Monday to review the Iranian situation and possibly begin considering sanctions if the American hostages have not been freed, any question about the legal authority of the UN's only enforcement body could pose serious difficulties for the U.S. and other supporters of a trade embargo.

Similarly, efforts by some Islamic states to involve the council in the events in Afghanistan might suffer.

In the General Assembly on Monday, Dr. Erik Suy of Belgium, the UN legal counsel, at the request of the United States, made public an opinion he had already given privately to Mr. Salim Ahmed Salim of Tanzania, the Assembly president, that a 14-member council could function.

Undesirable though this was, such a Council could also band down binding decisions, Dr. Suy insisted. But the Assembly declined to accept or reject this opinion, and the Soviet Union, in effect, rejected it.

The Soviet delegate said Dr. Suy's advice had "no legal or political significance, since it lies beyond the functions established for the secretariat or the General Assembly in accordance with the UN charter." Only the Council itself could resolve matters concerning its activities, he said.

The Russians seemed, therefore, to be readying a challenge should a bid be made to raise the Afghanisthan question.

Earlier in the day, Mr. Oleg Troyanovsky, the chief Soviet delegate, hinted that he was prepared to use the veto to block sanctions against Iran.

The present 14 members of the Council are: Bangladesh, Britain, China, East Germany, France, Jamaica, Niger, Norway, Philippines, Portugal, Soviet Union, Tunisia, United States and Zambia.

WORLD TRADE NEWS

French car industry has another record year

BY TERRY DODSWORTH IN PARIS

EXTREMELY STRONG exports, a stable home market and virtually trouble-free production helped the French car industry establish another record year in 1979.

The figures, while not yet finally verified, indicate that French producers increased their output by 3.8 per cent last year to 2,320,000 vehicles. This was achieved in spite of a decline at Talbot, the former Chrysler-Simca organisation which has been taken over by PSA Peugeot-Citroën and which has been unable to build its own this year against increasing competition from other domestic suppliers.

Export markets have provided the main fuel for the expansion. Sales overseas have gone up by 7.7 per cent compared with last year to a total of 1,700,000, with Renault in particular showing a marked improvement. At home, registrations have

also increased by 2.1 per cent to 1,985,000 vehicles, although the overall total is lower than seemed likely at the beginning of the year. Of this figure, the importers appeared to have captured a little more than 20 per cent, slightly up from last year, but still on more or less the same line as during the past five years.

The dip in registrations at the end of 1979 indicates that the French industry cannot expect to enjoy such a buoyant period in 1980.

All the big domestic manufacturers, except Renault, have announced longer Christmas breaks for their workers than usual, suggesting that they are getting their inventories in order for a tighter market. Renault also believes that there may be a decline later this year, but it still intends keeping its factories turning at the same rate until the spring.

The industry is aware that it will come under pressure on the export front this year as markets in general decline. But it remains confident that it has a better adapted range than most of its overseas competitors to attract motorists who are having to face the problems of more economical motoring.

For importers, France apparently remains a difficult country in which to expand, mainly because distribution is tied up by the domestic producers. The West Germans, the most important bloc of foreign manufacturers, have lost place this year. Their market share is down from 11.3 per cent to 10.98 per cent (148,000 cars), in the first eight months.

Of the other foreigners, the British, who have shown the most significant increase with sales up from 16,000 to 25,000 vehicles in the same period.

Egyptair takes Airbus options

CAIRO — Egyptair, Egypt's national carrier, has taken up its options to buy four more European Airbuses to conclude a \$325.7m (£146.4m) deal, Mr. Ezzat Megahed, the company's vice-chairman, said yesterday.

Mr. Megahed said Egyptair had already bought three Airbus, two of which would be delivered next September and the third a year later. Details on the purchase of the other four aeroplanes would be finalised soon. Options and deliveries would start in September, 1982. The aircraft were bought with a loan guaranteed by the French, West German and British Governments, and would be paid in biannual instalments

at an interest rate of 7.5 per cent, Mr. Megahed said.

The Airbus deal did not rule out the possibility of Egyptair buying a fleet of eight U.S.-made jetliners, but this was now running into trouble over financing.

Mr. Megahed said that the board of the State-owned company would make a final decision before offers from U.S. concerns expire at the end of January.

Picking up the options on the extra Airbus "does not mean we have decided against the U.S. aircraft," he said, but soaring U.S. interest rates "could threaten the deal."

"Yes, it could happen," he said, "if we do not get good terms on the financing."

Mr. Moujahid said the Egyptian Government, which has final say on which aircraft are bought, wanted to increase the U.S. Export-Import Bank's share of financing to 85 per cent from 42 per cent. He added that Egypt could not afford the 15 per cent commercial interest rates.

McDonnell-Douglas has offered DC-10s and Lockheed has offered L-1011 TriStars to Egyptair contract since last spring.

Last September the Board voted in favour of buying four DC-10s, but the Government moved in to sweeten its offer with a lease-purchase arrangement and low down payment costs.

West Africa oil to be exploited

BY MARTIN DICKSON

SAGA PETROLEUM of Norway has announced that it is to sign an agreement with the Government of Benin this month for the development of the West African country's offshore Seme oil field.

The field, which has estimated recoverable reserves of about 22m barrels, is expected to cost about \$100m to develop, with the Norwegian Government furnishing guarantees for 90 per cent of the total. Norwegian companies are expected to gain

orders worth about \$80m. Development of the field, which lies about 10 miles off the coast, is expected to take about two years.

The Seme field was discovered in 1963 but was not then considered commercially viable. However, the oil price rise of the 1970s have changed the picture. The oil field, although tiny by international standards, will provide valuable balance of payments support for Benin. Similar, small offshore finds

stand to benefit other West African States, such as Ivory Coast and Ghana.

William Chislett writes from Mexico City that Mexico has signed an agreement to sell oil to Yugoslavia this year. The contract between Pemex, the Mexican State oil monopoly, and the Yugoslavian oil company stipulates that the volume will be 3,000 barrels a day, starting some time in the second quarter of the year.

A T & T-Europe space option

NEW YORK — American Telephone and Telegraph, which had planned to use the U.S. space shuttle to launch a domestic U.S. communications satellite in 1983, has reserved a European Ariane rocket to do the job. AT & T put down a \$100,000 deposit on the rocket to launch a high-capacity communications satellite to replace an older satellite.

AT & T still has a \$100,000 deposit with the U.S. National Aeronautics and Space Administration for a space shuttle flight to put up the replacement satellite in the spring of 1983.

AP-DJ

U.S. to claim extra duty on Spanish alloy exports

WASHINGTON — The U.S. Treasury made a final determination that Spain is subsidising exports of ferroalloys to the U.S.

Under the law the Treasury is required to collect an extra duty equal to the subsidy being paid. The Treasury said the amount of the subsidy has been determined to range from 2.4 per cent to 3.36 per cent of the value of the merchandise. The value of these imports amounted to about \$9.5m (£4.2m) in 1978.

In a preliminary determination, the Treasury said Japan is subsidising exports of certain pipe fittings to the U.S.

The department said its investigation found that the Government of Japan was subsidising manufacturers and exporters through financing at preferential interest rates and partial tax sheltering of earnings. The Treasury will make a final decision in the case by March 17.

If the preliminary finding is upheld, the U.S. International Trade Commission then must find that the imports are injuring a domestic industry before duties would be assessed.

Imports of this merchandise from Japan were valued at about \$10.5m in 1978. AP-DJ

\$6BN PHILIPPINES INDUSTRIAL SCHEME

Marcos pushes plans amid crisis

BY DANIEL NELSON IN MANILA

A \$6bn PROGRAMME for 11 industrial projects is an ambitious scheme for any developing country—but the Philippine Government is trying to implement it despite a deteriorating balance of trade deficit of \$560m, overseas debt touching \$9bn and inflation running at 25 per cent.

The International Monetary Fund (IMF) has been called in to help tackle the economic crisis, and the one area of friction between the two sets of officials is likely to be the 11 projects.

Most of the projects have been shuffled around ministerial desks for years, but in September President Ferdinand Marcos bundled them into a package and said they would form the basis of the country's industrialisation.

The response was cautious. Critics said such expenditure, even over a 10-year period, was reckless in the view of the plight of the economy. They argued that no emphasis should be placed on labour-intensive schemes and said only those industries in which the Philippines enjoyed a comparative advantage should be pursued.

Even the Cabinet was not unanimously in favour. Mr. Luis Villafuerte, the Minister of Trade, voiced initial reservations, but was quickly brought into line by the President.

In the new year, it will be harder to convince the international banking community, whose confidence is essential. A new World Bank report recently called for "very close

scrutiny" of new projects and programmes, particularly large-scale schemes.

Noting that the proposed steel mill and petrochemical plant are capital and energy intensive, it says that "commitment to either of (these) billion dollar projects, unless they are financed solely by direct foreign investment, would reduce by a very substantial margin the already limited scope for flexibility in the management and the balance of payments."

Although the President's list showed signs of being hastily assembled, there is evidence that the Government is, indeed, adopting a more co-ordinated approach towards the implementation of this industrial programme.

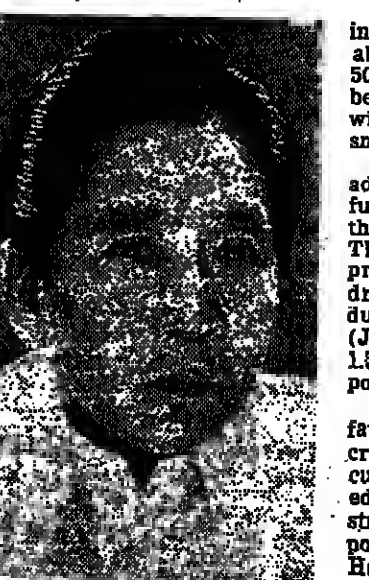
Part of the reason is a desire to shift capital expenditure from infrastructure to industrial production, a policy supported by the IMF.

But it also entails a shift in policy away from import substitution and to exports, that is away from domestic industries set up to cater largely to the local market needs and towards development of an industrial base capable of competing in the international marketplace.

The current status of the projects is as follows:

Copper smelter: Marubeni of Japan won the turnkey contract for the 138,000 metric tons a year plant because its \$228m bid was \$22m lower than the nearest offer.

Two American groups, Agrico and IMC have each expressed interest in obtaining a 20 per



President Ferdinand Marcos

cent share in the equity of the project, which will use the smelter's sulphuric acid by-product. The Government is looking for \$100m worth of exports a year and says it will go ahead with the scheme on its own if the Association of South-east Asian Nations—Thailand, Singapore, Malaysia, Indonesia and the Philippines—fails to adopt it as a regional project by the end of the year.

Aluminium smelter: Discussions have been resumed with Reynolds of the U.S. for a plant with a capacity in the range of 70,000-140,000 tons a year. (Domestic demand is about 35,000 tons.)

A memorandum of agreement was signed five years ago, but founded on the Government's

Japanese 'make more watches than Swiss'

By John Lloyd

JAPAN HAS produced more watches in the past year than Switzerland, according to the managing director of the Japan Clock and Watch Association.

Mr. Yoshinori Shirakawa, said in Tokyo last week that output from Japan was expected to be about 50m pieces by the end of 1979. By contrast, he estimated that the Swiss manufacturers would turn out less than 50m for the year.

Mr. Shirakawa said that the estimates of Swiss production were based on the assumption that the Swiss export up to 97 per cent of their production. Exports in the first nine months of 1979 stood at just less than 40m pieces.

"Japan has been going up for years, while Switzerland, taking half of the global market in 1970, has been going downhill since 1973."

In 1978, world watch production was nearly 350m pieces. It was estimated then that Switzerland held 22 per cent of the market, Japan 19 per cent, the Soviet Union 12 per cent and the U.S. 11 per cent.

Mr. Shirakawa said that the Swiss had to contend with high labour costs and a strong currency. However, the major reason was a slow adaptation to quartz technology, in which the leading Japanese companies, Seiko and Citizen, are particularly strong.

Switzerland's watchmaking industry, which went through a massive rationalisation in the early 1970s, still has some 600 companies (there were previously 1,300). Japan has six.

More importantly, Seiko took the lead in quartz watch manufacture in the mid-70s, a lead it still retains. While mechanical watches still sell, the lead is narrowing fast. Japan's market is now 56 per cent quartz, while quartz commands 40 per cent of the market in the U.S., and about 25 per cent in Europe.

In Japan, mechanical watch production has levelled off. Some 19m quartz watches were produced last year, rising sharply to an estimated 33m this year.

Mr. Shirakawa said that the Japanese quartz technology was the most advanced.

Portugal gets \$70m in loans

LISBON—West Germany has granted Portugal loans totalling \$60m (£27m) for 20 years at a 4 per cent yearly interest rate, the Portuguese Finance Ministry announced.

The credit will go to a hydro-agriculture project at Cova da Beira, a town in central Portugal, and the fishing ports of Mazare and Figueira da Foz, north of Lisbon.

Separately, Portugal signed a \$10.3m loan with Nederlandse Investerings Bank in Lisbon last week.

The loan, with a grace period of eight years, will carry a 5 per cent yearly interest rate.

The loan will be used for the fishing and agriculture sectors, specifically for projects for renewing the country's outdated fishing fleet. AP-DJ

JAMAICA AND THE IMF

A plea to bend the rules

BY CANUTE JAMES IN KINGSTON

THE JAMAICAN Government is preparing proposals to put to the International Monetary Fund (IMF) seeking a waiver of conditions under which the island will continue to have access to desperately needed loans.

Negotiations with the IMF follow the failure of the economy to satisfy a criterion set by the fund. The Jamaican foreign reserves shortfall should not exceed \$370m at the end of December, according to the IMF, but Mr. Eric Bell, the Finance Minister, has said the shortfall is likely to be \$500m. If so, the island will not get any more funds until it reaches agreement with the IMF.

Jamaican financial officials have reason to be worried by the situation. The failure to meet the domestic assets criteria set by the IMF in December 1977 torpedoed a previous agreement for \$70m and led to an immediate 15 per cent devaluation of the Jamaican dollar, followed by another 15 per cent over the following 12 months as a precondition for another agreement.

The Fund granted Jamaica access to \$240m over three years and last year added another \$160m. This agreement is now threatened by the failure of the reserves test.

The injection of IMF funds has failed to stimulate the economy to the level the Government had hoped and promised. Economic planners, for example, estimated that the economy would grow 3 per cent last year. This would have been the first positive growth for five years but indications now are that the economy will contract by 2 per cent.



One factor which has worsened the deficit has been the island's increased oil bill, which will be about \$33m above projections for last year.

Foreign debt payments have been \$81m above projections, due to higher interest rates and amortisation, and there have also been payments of \$25m for raw materials by the island's exporters as part of a Government programme to stimulate exports. Funds for this should have come from the World Bank, but did not materialise on time.

An additional \$18m has had to be found for other goods and services because international inflation, projected by the Government and the IMF at 8.5 per cent for 1979, was 14.5 per cent, the Minister said.

Government funds had to be diverted in June to reconstruct and rehabilitate western Jamaica after severe floods, which also destroyed several thousand acres of sugar and banana plantations, leading to loss of export earnings of about \$20m.

Consequently, current payments, which should have been eliminated by December 31, have increased by about \$80m, and liquid reserves, which should have been \$81m are not expected to be more than \$10m.

Central Bank officials admit there is no easy way out for the economy. Even if continued access to IMF funds had been guaranteed, they say, the island would have to seek the Fund's assistance for another four years.

New bauxite and alumina markets have been found in Venezuela, the Soviet Union, Algeria and Iraq, but industry spokesmen say that with major delivery contracts set to commence after 1983, little new money is available to ease the present crisis. The North American mining and refining firms operating in Jamaica have agreed to increase production following renegotiation of the Government's controversial taxation system.

Export agriculture, the third major foreign exchange earner, is not likely to show more than modest expansion. New efforts are being made to increase Jamaica's 25 per cent share of the UK banana market, with projections for selling 95,000 tonnes of the fruit there this year—75,000 tonnes were exported to the UK last year.

Understandably, the situation has affected the domestic economy. There are frequent shortages of raw materials for factories, some of which have been forced to close, adding to the 27 per cent unemployment rate. The consumer price index rose by 49.4 per cent in 1978, and projections for last year of 20 per cent were overtaken.

Mr. Edward Seaga, leader of the Opposition, has warned that the economic squeeze, and the prospect of even a temporary cessation of IMF assistance will lead to shortages of food and raw material, and widespread economic dislocation. The hope is that the IMF will agree to the waiver and spare the economy further hardship. A senior Central Bank official feels the fund will be lenient.

"We need the IMF funds very much," he said, "but the IMF also needs us. The Fund cannot allow Jamaica to fail. It would be effectively a failure of the IMF's programmes and policies—a failure which could bring the operations and the validity of the institution into serious questioning all over the world," he says.

Political scope for dealing with Jamaica's economic situation is limited. Mr. Michael Manley, the Prime Minister, recently rebuffed his Cabinet dropping six Ministers in the hope that the smaller team could handle the crisis better. In spite of his decision to take on the important agriculture portfolio, detractors are sceptical about the value of the move and label it as the beginning of plans to campaign for the general election due next year.

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UK NEWS

THE STEEL INDUSTRY STRIKE... DAY ONE

Situation remains unclear over imports and movements

BY OUR FINANCIAL STAFF

THE FIRST DAY of the national steel strike saw varying degrees of concern among customers of British Steel, but did little to clarify the situation with regard to imported steel and the movement of steel around the country.

As transport workers awaited formal instructions from their union on the handling of imported steel (so far the T&GWU has merely backed the strike but is expected to issue more detailed instructions later this week), imports and exports of steel continued to move normally through ports.

At King's Lynn in Norfolk, for example, the Rail-registered Kenix arrived from Jimniden, one of Europe's biggest steel plants. The steel is bound for car-makers and washing machine plants. The Kenix finished unloading in the afternoon, but no further steel imports will take place at King's Lynn this week.

The British Transport Docks Board, which owns the port, said: "Only normal steel shipments are being handled and

there are no plans for additional imports to come through King's Lynn."

British Rail said last night that railwagons had succeeded in stopping all movements of stocks from British Steel plants. BR carries 475,000 tonnes of steel a week for the public and private sectors.

The unions' intention is that both the production and transport of steel from private sector steelmakers and steel stockholders will not be affected, as long as it is not in place of BSC steel. Some steel stockholders were picketed yesterday by members of the ISTC, including Robert Fraser in Tyne and Wear and a GKN stockholder nearby. Robert Fraser said pickets tried to prevent deliveries by private bidders, but did not interfere with the company's own transport.

The key problem that could emerge with private sector supplies is the classification by the unions of what is normal production. If private steel-

makers exceed what they deem as "normal," and thereby try to fill the gap left by BSC, then the unions will try to stop production and distribution. Many private steel firms, however, have been operating considerably below capacity and would not define this as "normal."

The higher-than-average stocks held by steel customers and the stockholders will be the most important element in determining the effect that the strike will have on industry over the next few weeks.

Most companies are carrying at least four weeks' stock. If the strike extends beyond that, the motor industry is expected to be the first major area to feel the effects. BL in particular relies heavily on British Steel. An added problem, however, is that even where companies have healthy stocks, shortages are likely to occur in particular types and sizes of steel. This situation could be particularly serious if the expected blacking of imports is effective, as many companies second source of

their specialist requirements is from overseas.

Component manufacturers are also concerned that their customers will then not be able to manufacture as normal, and will therefore not want to take delivery of components. The situation could then emerge similar to that during the engineering dispute, when firms found themselves with stocks of unwanted components.

The British Scrap Federation, whose members supply 2.5m tonnes annually of scrap to the private steelmakers, said yesterday it has received firm undertakings from its joint consultative council that member firms would not suffer disruption.

Other industries which will be affected if the strike is prolonged are steel castings and canned foods and drink. Stock levels at foundries are high, but the growing importance of imported synthetic iron to the industry could create problems if overseas supplies are blocked.

Tatler fraud alleged

Financial Times Reporter

IT WAS ALLEGED in Nottingham Crown Court yesterday that circulation figures for the Tatler and Bystander were falsely inflated to boost advertising sales.

Mr. Brian Appleby, QC, prosecuting, said that the magazine's circulation had been claimed to be 49,000, but in reality was only 15,000, though there were no accurate records of the numbers printed.

The four accused, Mr. William Guy Alexander, managing director; Mr. Michael Campbell, a director; Mr. Leonard Sutton, foreman printer; and Mr. Arthur Cyril Dewey, accountant and auditor, are charged with conspiracy to defraud by falsifying the Tatler circulation figures, and with similar offences involving the Nottingham Observer.

All pleaded not guilty. Mr. Appleby said that circulation figures for the Nottingham Observer were certified by Mr. Dewey as 65,775 over a six-month period when the true figure was 12,898, while for the Tatler figures were claimed to be 295,370, but were in reality 100,069, for a similar period.

The offences are alleged to have taken place between January 1, 1969, and January 1, 1977. The certified figures were then passed to the Audit Bureau of Circulation.

Mr. Appleby said that no magazine could survive on sales alone. They needed advertising revenue. Advertisers would not buy space in magazines with low circulation.

The case continues today.

House price rise may slow

BY ANDREW TAYLOR

HOUSE PRICES are likely to rise only half as fast in 1980 as they did last year, says the Abbey National Building Society.

The society expects prices at the top end of the market to rise by only an average of 10 per cent this year, while lower-priced houses may increase by 15 per cent.

This compares with a 30 per cent rise in the price of an average house in 1979. According to Abbey, the rate of increases has already begun to

slow, with prices rising by only 3.9 per cent in the last three months.

An average home at the end of the year cost £23,900, compared with £18,400 at the end of 1978. London and the South-East remained the most expensive areas, with average prices between £28,863 and £28,702.

The highest increase in the last three months, says Abbey, was in Northern Ireland, 13.7 per cent. It is the third most expensive housing area in the UK.

A slower rate of increase in housebuilding costs is forecast for 1980 by the Royal Institution of Chartered Surveyors. Cost of building a home is still likely to rise by 16 per cent.

This compares with a 19 per cent increase in 1979, the highest in the institution's housing cost index since 1975, and double that in 1978.

The institution says that last year's increase was due largely to a 22.6 per cent rise in building material prices, the largest since the index was started in 1973.

Home repair hopes cheer builders

BY ANDREW TAYLOR

GOVERNMENT measures on household repair, maintenance and improvement in the Housing Bill provide at least one area for optimism for the hard-pressed construction industry, said Mr. Ian Robey, president of the Builders' Merchants' Federation.

Mr. Robey said that moves to extend tenants' rights to improvement and repair grants

and other measures affecting private tenants, landlords, local authorities, and housing associations offered the prospect of widening the home improvement market.

The Bill should also promote greater flexibility in the improvement grant system, which should encourage more applications for grants.

Mr. Robey said: "Home renovations represent the one

area in which there are real indications of higher activity."

However, the joint forecasting committee of the Building and Civil Engineering Economic Development Committees is less optimistic about prospects for household repair and maintenance. In December it forecast that output would rise by only 2 per cent in 1980 compared with an 8 per cent rise in 1979 and 16 per cent in 1980.

Philips UK rationalisation plan

BY ELAINE WILLIAMS

PHILIPS, the Dutch electronics group, is planning a large-scale reorganisation of several of its UK divisions concerned with office automation.

Plans are being formulated to bring together four divisions in the UK which have interests in various office equipment products. They will then, in effect, form a single office systems company.

Philips set up a special team several months ago to decide the best way of implementing the changes which will affect Philips Data Systems, Pye TMC, Pye Business Systems, and Philips Business Equipment.

Once formed, this could spearhead Philips' drive into complete office systems to challenge the growing number of companies now entering this market. Since the office systems sector is likely to be one of the

biggest growth sectors in the 1980s, many companies are trying to develop products and systems.

Philips already has the products but needs to bring them together. For example, Philips Data Systems has two major product lines which are computers and various types of terminals including Viewdata. Pye TMS makes telephone exchanges, which will form the heart of any large office automation system.

Stocks good for a month

Financial Times Reporter

Individual company steel stocks and reactions:

BL: Stock levels vary from factory to factory, but none is holding stocks of less than four weeks. The average is 4-6 weeks. If the strike goes on as long as March, there will be "serious lay-offs." A major problem faced by the motor manufacturers is that "bright steel," of which they are big consumers, deteriorates very quickly and can only be stocked for a month or so.

Vauxhall: The group has stocks amounting to "several weeks," but would be embarrassed if the strike went on for as long as 10 weeks.

Ford: Takes 40 per cent of its steel requirements from British Steel. Ford is reluctant to reveal the extent of its stocks, but says that it can definitely cover its requirements during January. Beyond that, much would depend on the degree of support given in sympathy by transport unions to the steel strikers, and hence, the effect on alternative suppliers.

Metal Box: Holds six weeks' stocks as normal practice. Most of its upplate needs come from British Steel, and the company is doing a detailed stocktaking now to determine those types of sizes of steel on which they might run short. Overseas sourcing is being looked at.

GKN: Which is BSC's biggest customer both for finished steel which is finished at GKN works, says it is too early to say how it will be affected. GEC and Hawker Siddeley also say it is too soon to comment.

Tube Investments: Not predicting any particular shortages. Is carrying six to eight weeks' stock. It also supplies many of its engineering factories with steel.

SKF: Takes 50 per cent of its steel from the group's steelworks in Sweden, and the other 50 per cent from TI. Specialisation of particular bearing types on SKF factories throughout Europe means that some re-scheduling would have to take place if the strike is prolonged.

Stockholders can maintain supplies until next month

BY OUR FINANCIAL STAFF

THE END of the first day of the national steel strike finds most stockholders in a position to supply customers on a regular basis at least until the early part of next month.

The steel stockholding sector is uncertain how long the dispute at the British Steel Corporation is likely to last, and what the possible effects of secondary picketing, transport disruption and an import blockade will be. But it is reasonably confident of higher prices, as stocks dwindle, and expects discounting, particularly in the bright steel market, to stop.

Stocks have grown after a period of flat demand in the wake of the national engineering strike last autumn. In many instances, companies had anticipated the breakdown of talks between BSC and the Iron and Steel Trades Confederation.

Guest Keen and Nettelfolds, the largest steel stockholder in Britain, said yesterday it had been "aware of the possibility of a strike and had taken certain action."

James Austin Steel Holdings, on the other hand, admitted that it did not take a lot of avoiding action, hoping that the strike would not take place. Nevertheless, the effect of the earlier engineering action was such that Mr. E. G. Birch, chairman, calculated that stocks were 10 per cent higher than normal

at this time of year.

In other cases, stocks had swollen to uncomfortable levels. Dupont's decision to anticipate a rise in scrap metal prices had helped to lift inventories by 25 per cent over usual year end levels, higher than the group would like. But like many stockholders, it would expect to benefit if the dispute at BSC is settled within a month.

A short strike, Central Manufacturing and Trading agreed yesterday, "would squeeze some of the surplus out of the system." Mr. Charles Cooper, chairman of Cooper Industries, expected that prices will firm up with any luck, and echoed Dupont's contention that the counting would "presumably cease."

Discounting has been endemic in the bright steel market, with prices slashed by as much as 10-15 per cent. It has recently crept into the black bar sector.

Much obviously depends on whether a scramble develops for the available supplies. A major company, principally holding structural steel supplied by BSC, felt that there would be no supply problems for the next week or two provided customers were prudent, with the important additional caveat that the effect of picketing is not too damaging.

Specialities

United Spring and Steel, another stockholder, said that it is already being "chased hard" for supplies, and Mr. D. Westwood, chairman, envisaged a situation where it would be "impossible to move steel off the shelves."

He considered that customers would cut orders for all steel products if certain important specialities became unavailable. Mr. E. P. Tiltman, finance director of Ductile Steels, said that the correct mix of stock could go without great care, and he expected special steels to run down fastest.

Ductile, like other stockholders, imports a considerable proportion of its steel. The amount varies enormously, but usually ranges between 10 per cent and 20 per cent of the total. The company has an important consignment due at the docks at "any time now."

John Folkes Hefo, which holds about eight weeks' stock, said: "We could still get some supplies from overseas, but it is still unclear whether the unions would allow imports to come in."

United Spring believed: "The problems might be mitigated by the ingenuity of manufacturers in finding satisfactory alternatives for their normal raw materials." The group intends to maintain contracted prices with regular customers where possible.

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Computer at helm

BY ROY HODSON



SATELLITE NAVIGATION

systems and computers will replace the traditional sextant and log on board the sailing boats of the 1980s, judging by the interest being aroused by new marine electronics equipment to be shown at the 28th International Boat Show, which starts at Earls Court today.

A film order was taken last night by a British company, Thomas Walker, for a satellite navigator, new to the market, which will retail at £1,500, less than some conventional radio direction-finding systems.

Decca has ordered the Walker navigators and intends to launch them in North America for the coming season.

The other electronics star of the show is an on-board computer called Hercules. Invented by Brookings and Gatehouse, a Lymington yachting instruments company, it monitors all

data affecting the performance of a boat. Information is displayed in digital form for the helmsman and navigator.

There are signs, however, that some yachtsmen are starting to react against the increasing complexity of boats and equipment. Great interest is being shown at Earls Court in one-design yachts that can be raced against precisely similar craft.

The British Olympic Gold Medalist yachtsman at the Montreal Olympics, Mr. Reg White, is to build a strict one-design racing keelboat called the Sunshine 22.

He will promote it in international events.

The boats will be identical, resulting in production economies, and the total cost is expected to be under £7,000. Only one sail-maker, one mast-maker and one fittings manufacturer will be permitted.

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Railways and road haulage will suffer

THE ROAD HAULAGE industry and British Rail are both expected to suffer as a result of a prolonged shut-down of iron and steel making plant.

In revenue terms, the road haulage industry is likely to suffer most. British Rail has carried a steadily declining

amount of iron and steel in the past decade. The hauliers have picked up the business, and dominate the transport sector in these metals, although iron and steel accounts for only 5 per cent of road freight.

In 1976, the latest year for which statistics are available, British Rail carried 24.7m tonnes, more than a third less than 10 years ago.

Iron and steel production has declined over the period. But British Rail's share of the 92.2m tonnes of iron and steel moved in 1976 was just over a quarter, compared with 37.5 per

cent 10 years ago.

British Rail's proportion of revenue from iron and steel transport has also fallen, although less rapidly, from 18.2 per cent of freight revenue 10 years ago to 15.4 per cent (£59.4m) of the total of £384.4m two years ago.

A valuation must be made before any distribution of surplus. Separate returns, from the company accounts, are made to the Department of Trade.

So there arises an overlap of interest between the auditor and the actuary, each conscious of his professional responsibilities. Discussion between the two

of the insurance company's long-term business at least once every three years.

The purpose is first to demonstrate that the long-term funds can meet the liabilities, and secondly to ascertain what surplus is available for distribution to policyholders, and in the case of proprietary companies shareholders.

This week the accounting bodies published their guidance to auditors. Guidance to actuaries is expected within a few days from the Institute of Actuaries and Faculty of Actuaries.

The 1974 Act enshrined the principle that the method of valuing long-term liabilities was

sole responsibility of the appointed actuary of the insurance company.

The guidance shows that the actuaries have accepted that the auditors have the right to satisfy themselves that the actuary's valuation is based on the correct data, and that the actuary has carried out all necessary checks to ensure that this is so.

The accounts show the value of long-term business funds, and the auditor has to get reasonable assurance from the actuary that these funds are adequate to meet the related liabilities.

The trickiest area concerns the surplus in value of funds over value of liabilities. The actuary may change his basis of valuation from time to time.

In practice, these guidance notes from both accountants and actuaries will formalise what is already current practice in many insurance companies.

Gone are the days when auditors tried to influence the actuary, and the actuary maintained a stony silence. Now actuaries discuss at outset with the auditors the valuation methods and what they are trying to achieve.

Auditors' Relationships with Actuaries, concerning Actuarial Valuations of Long-term Business Funds of Insurance Companies. Publications Department, P.O. Box 493, Chartered Accountants' Hall, Moorgate Place, EC2, quote reference TR 373, enclose stamped addressed envelope.

Ending conflicts of the past on company accounts

BY ERIC SHORT

PUBLICATION this week of new sets of guidelines for actuaries and auditors should help prevent most of the conflicts of interest that have arisen in the past.

The purpose of preparing the accounts of a company is to show a "true and fair" view of the trading and financial position of that company. The onus of checking the presentation of accounts lies fairly and squarely with the auditors under the 1948 and 1987 Companies Acts.

Where insurance company accounts are concerned the situation is complicated by the valuation made of the long-term funds, life, pension and permanent health business. The long-term funds of an

insurance company consist of varying types of life, pension and sickness contracts, with premiums coming in over several years and money paid out at varying times.

To place a value on the long-term liabilities to ensure that the funds are sufficient to meet these liabilities is the task of another profession, the actuarial, and involves detailed knowledge of mortality, interest and expenses.

Actuarial science on valuation of long-term funds has been developed over 200 years. The 1974 Insurance Companies Act requires the appointed actuary of a life insurance company to make an investigation of the financial condition

of the insurance company's long-term business at least once every three years.

The purpose is first to demonstrate that the long-term funds can meet the liabilities, and secondly to ascertain what surplus is available for distribution to policyholders, and in the case of proprietary companies shareholders.

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THE MARKETING SCENE

Internationally, the advertising business almost certainly faces a decade of near-unprecedented growth, against which the domestic travails of 1980 will appear insignificant. Michael Thompson-Noel casts a New Year horoscope.

Shine with Shino, Flush with Sanfect

TELL ENGLAND. Tell the world, writes Dorothy L. Sayers in the final, laconic paragraph of *Murder Must Advertise*. "Eat More Oats. Take Care of your Complexion... Shine your Shoes with Shino. Flush your Beer is Better. Try Dogsbodys Sausages. Give them Crunchlets. Snagsbury's Soups are Best for the Troops. Morning Star, best Paper by Far... Flush your Kidneys with Fizzlets. Flush your Drains with Sanfect. Whittle your Way to Fortune... Advertise, or go under."

Forty-seven years on, nothing has changed. In an author's note to *Murder Must Advertise*, Miss Sayers, herself a former distinguished advertising copywriter, said she did not suppose there shifting set of people in the world than the "advertising experts of Great Britain"—on which note she plunged into a depiction of them as flighty, grasping, scheming, neurotic practitioners of a profession notable for combining, to a unique degree, cynicism with insecurity.

Forecasts

Really, they're not that bad. Many of them are perfectly decent fellows, though to listen to some of the gloomier forecasts currently pervading the advertising business is to admit that at present its insecurity is showing through.

To paraphrase these forecasts: "Company profits are expected to fall sharply in 1980. Markets will contract as inflation starts to bite and as investment, consumer and Government expenditure levels fall back... Falling profit levels will at once hit product-advertising budgets, as well as special areas such as corporate and recruitment advertising... After the first quarter of 1980 there will be pronounced falls in real advertising expenditure levels, lasting well into the first half of 1981... In summary, there are strong indications that the first half of 1980 will witness a recession in advertising expenditure, though to start with it will be obscured by a split-over at bookings from the 1979 TV strike. The recession will build

progressively from the spring of 1980.

The truth is that while the figurework that underpins these forecasts is virtuous in the extreme, the language in which it is being interpreted—"pronounced falls in real levels of expenditure," "recession," "shake-out"—is almost as exaggerated as the product claims for Crunchlets or Dogsbodys Sausages. No one pretends that 1980 will offer an advertising ride for agencies or media. But to imply that the advertising business is about to face the sort of problems that will impose themselves on the more capital-intensive, energy-dependent sectors of commerce and industry is simply not right.

To understand the forecasts for 1980, it is helpful to appreciate what happened last year. Mike Waterson, research director at the Advertising Association, says that 1979 should have been an outstanding year for advertising expenditure—a continuation of the boom that began in late 1976. As it was, four factors conspired against it: the ITV strike, the road haulage dispute, the engineers' strike, and the absence for most of the year of *Times Newspapers* (to which must be added the continuing saga of disruptions throughout the rest of Fleet Street).

The AA estimate for total media expenditure in 1979 is £2,076m, compared with £1,834m the previous year. That sounds all right. Unfortunately, it does not translate very cheerfully into constant (1970) money terms. As the AA says, it is important to disentangle underlying expenditure trends last year from "actual" results achieved.

TV strike

According to the AA, in the absence of the TV strike alone, 1979 would have produced a fourth successive year of growth in real advertising expenditure. There was in fact a strike-induced fall in real advertising expenditure between 1978 and 1979 of approximately 1.5 per cent. At constant 1970 prices, and

excluding production costs, as it did last year, when total new business gains amounted to £16m. Current annualised billings are £43m, split between only 23 clients. It is partly this concentration on blue-chip spenders that has transformed

This is a fall in projected real expenditure terms of less than 1 per cent. However, it must be remembered that forecasts for 1980 follow the artificially depressed expenditure level of 1979. The most inspired guess is that had the TV strike not happened, the 1980 ad spend, in real terms, would have had to be forecast at some 5 per cent below the 1979 total. (True pessimists among the forecasters pitch the anticipated fall, across all media, at up to 10 per cent; optimists predict break-even.)

There are too many imponderables, both at home and abroad, to forecast with any precision the eventual outcome of advertising business for 1980. But most of the agencies are making all the right noises. They're not depressed; nor are the media, though as the year wears on competition is bound to intensify as advertisers themselves come under pressure.

On the agency front, it seems likely that 1980 will generate a bigger turnover of accounts than 1979 as marketing managers, reacting to pressures from their finance departments, take an ever closer look both at budgets and how they are spent.

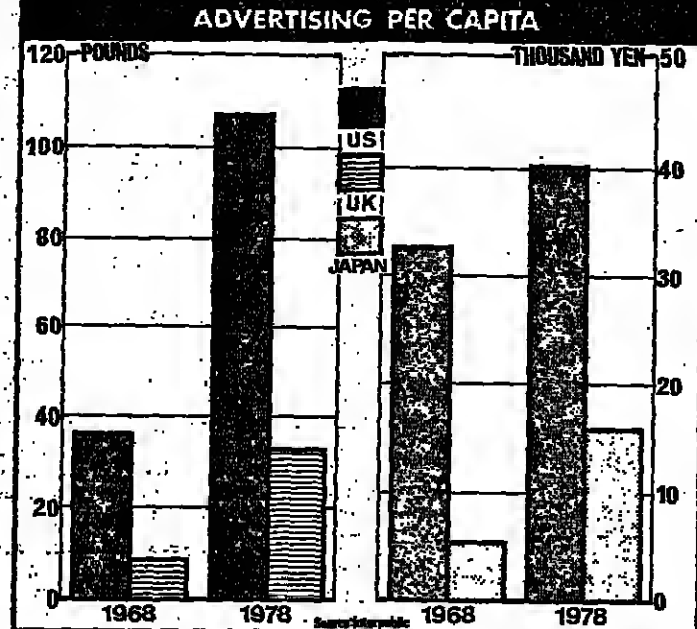
One view is that pressure for so-called "increased advertising efficiency" will benefit the large, full-service agencies at the expense of the creative boutiques and fun shops.

Either way, those agencies that managed to enter 1980 on a wave of growth are those most likely to benefit from the mellee. This applies particularly to two British-owned agencies: Saatchi and Saatchi, which is now jostling the U.S.-owned Big Three for billings supremacy, and, to an even greater degree, Allen Brady & Marsh.

For now ABM can do no wrong. If it were to go public tomorrow it would be swamped by subscribers. As it is, chairman Peter Marsh has no plans to go public at present. ABM's ambition is to put on at least

as much new business in 1980 including our New York agency, we hope to be billing at least \$100m by the end of 1980, though that is very conservative.

A key to how advertising budgets hold up in 1980 will be the level of determination



The chart shows comparative advertising levels in the UK, U.S. and Japan on a per capita basis, based on exchange rates for 1968. Although advertising spending rates are growing faster outside the U.S. than in it, they still trail far below U.S. levels. According to Robert J. Coen of McCann-Erickson in New York: "As the economies of more and more countries expand and approach the U.S. level, the need and demand for consumer advertising will escalate." According to his forecasts, by 1983, U.S. advertising expenditure will reach \$115bn. Expenditure outside the U.S. will add a further \$120bn for a global total in excess of a quarter of a trillion dollars (\$92.5 tril.).

ABM from what used to be called a jingle shop into the most irrepressible new-business machine in European advertising, though in truth, the reasons for its success are more profound than that.

Another agency that can't wait to get into 1980 is the publicly-quoted Geom Gross. "We're very bullish," says its financial director. "It's a very short-sighted advertiser that cuts his advertising budget in a slipping market. As a group,

the Centre for Advertising Services in New York, which is operated by the Interpublic Group of advertising companies. The centre has analysed the results of all post-war U.S. recessions. Not surprisingly, given its parenthood, it offers a mass of evidence to link falls in sales momentum with major cuts in advertising budgets.

In particular, it cites the case of Chevrolet: "When the energy crisis hit in early 1974, the managements of automobile companies, both domestic and import, took different points of view. Chevrolet maintained its program at 100 per cent. Most of Chevrolet's competitors cut their advertising spending drastically. Before the year was out, Chevrolet gained 5 share points—one of the sharpest changes in auto marketing history."

(This hardly provides us with a glimpse of the total auto market situation, but no matter.)

"Loss of sales momentum following ad budget cuts is no different in times of recession, or energy crisis, or shortage—no different from normal times. Share of mind leads share of sale. Corporate managements may have excellent reasons to cut ad budgets but ad budgets aren't quite the variable (that) some managements believe. There is a trade off of future sales which has to be considered."

Propaganda

Even if we strip that statement of its propaganda element, "corporate managements" are still left with a great deal to chew on.

In any case, beyond 1980, advertising internationally almost certainly faces a decade of near-unprecedented expansion. According to Robert J. Coen, a senior vice-president at McCann-Erickson in New York: "A new trend in advertising growth is now clearly evident. The return to greater utilisation of advertising does not appear to be a temporary phenomenon but one similar to the extended period of consumer marketing activity that occurred following World War Two."

"The new trend in advertising that began in 1976 should continue over an extended period of time and modest economic variations will probably have little effect on present trends. Advertising as a percentage of gross national product had been declining up until a few years ago in most of the key industrial countries around the world. Now the trend is in the other direction."

He says that between 1968 and 1978, advertising expenditure rates in the UK, Japan and Brazil grew faster than those in the U.S., though the level of spending in all three countries was still far below that of the U.S. (see chart for Japan and UK).

Global spend

"As the economies of more and more countries expand and approach the U.S. level, the need and demand for consumer advertising messages will escalate."

It is for this reason that Mr. Coen forecasts a global advertising expenditure level by the end of this decade of more than a quarter of a trillion dollars.

Forecasts of what may happen to advertising internationally may be thought a trifle removed from affairs inside the latest creative boutique in London's Greek Street or the newest fun shop in Covent Garden; but advertising, already a fully internationalised business, is becoming ever more complex as large agencies join forces with large, as groups merge into combines and as the combines themselves aspire to conglomerate status.

Witness the edifice of Interpublic. Witness—on a much smaller scale but in a move that reflects the times—yesterday's news that the Lopex Group has bought a 40 per cent stake in the 38th ranked U.S. agency, Warwick, Welsh and Miller to add to an extensive European consumer agency portfolio.

But a quarter of a trillion dollars? Why, yes. Bung's Beer is Better. Try Dogsbodys Sausages. Eat Crunchlets. Snagsbury's Soups are Best for the Troops.

Advertise, or go under.

Lopex buys 40% of U.S. agency

IN A BOLD move into the lucrative U.S. consumer advertising field, the Lopex Group has acquired a 40 per cent stake in Warwick, Welsh and Miller Inc., whose expected turnover in 1979 was \$84m. WWM is based in New York with an office in San Diego. Gross world income in 1978 was \$121m, giving it 38th spot in the annual lists compiled by Advertising Age, writes Michael Thompson-Noel.

In addition to consumer advertising, Lopex is involved in recruitment and financial advertising, PR, design, sales promotion, market research and computer and information services.

WWM clients include Benjamin Moore, Brooke Bond Foods, CPC, Heinz, Sterling Drug and Seagrams. Its most recent account gain was King-Of-Lebanon. The Lopex chairman and chief executive, John Sykes, says the deal "should open up new opportunities as many of our clients in Europe are acquiring or developing their businesses in the U.S." Both companies are private; both will remain so.

IN A RESHUFFLE of Government advertising contracts, the \$800,000 Department of Industry campaign has moved from Dorland to Freeman Mathews and Milne, and the £150,000 Export Credit Guarantees Department business has been switched from Colman and Partners to Davidson Pearce. The £12m Pedestrian Road Safety Campaign, currently at Ogilvy Benson and Mather, is being competed for by GDD, OBM and JWT, while the £650,000 Department of the Environment campaigns, also at OBM, are being competed for by Doyle Dane Bernbach and FMM. The revised budget for Government advertising in 1979-80 is £23.7m. From April 1, the GOI is replacing commission payments with "cost-plus" payments.

D'ARCY MACMANUS AND MASLUS is to handle a \$1.5m budget for Laker Airways via its London, New York and Los Angeles offices. Maslus's UK billings last year were \$64m. Despite the TV strike its profits were "pretty close" to target.

Technical News

NAVIGATION

Space radio will aid the ships

TWENTY-NINE countries with shipping interests have got together to form the International Maritime Satellite Organisation whose Inmarsat satellite communications system will revolutionise radio-traffic between ships and the shore.

Inmarsat is to have its headquarters in London and has elected its first director general to hold office for a six-year term. He is 37-year-old Mr. Olof Lundberg of Sweden, at present head of frequency planning of Televerket, the Swedish Telecommunications Administration. He is expected to take up his new job in late January at offices on four floors of the Covent Garden Authority's Market Towers building.

The new network will have six satellites in pairs in geostationary orbit 22,300 miles above the Atlantic, Pacific and Indian Oceans and ships at sea will be able to bounce their radio messages off these to reach any of at least a dozen ground stations at sites in different maritime countries. Britain's PO is providing one station at Goochlight Downs in Cornwall where a new 13 metre dish antenna will beam to the Atlantic satellites. Another at Eik in Norway will be operated for the Nordic countries. The USSR will build one at Odessa on the Black Sea and another at Nakhodka near Vladivostok. The U.S. is expected to make two available at Santa Paula in California and Southbury in Connecticut while one at Yamaguchi in Japan is also foreseen. Other countries offering ground station sites include Australia, Canada, Greece, Italy, Kuwait and Singapore.

The first of these satellites should go into orbit from Kourou in French Guiana by the end of this year on the largely French-built Ariane L04 rocket. This satellite will be one of three for which the European Space Agency has awarded a contract to the British Aerospace Dynamics Group, acting as prime contractor for a consortium of European space hardware manufacturers. The other three satellites to be used will be provided by the International Telecommunications Satellite

Organisation and the first of these is to go into orbit over the Indian Ocean before the end of 1981.

Inmarsat will supplant the American Marisat maritime satcom system which is managed by Comsat General primarily for U.S. Navy use. Three years ago Marisat offered its spare channel capacity for use by commercial shipping but the priority demands of U.S. Navy radio traffic have limited this capacity to about half a dozen channels. Thus, even though no more than around 300 out of all the world's merchant ships have been equipped to work satcoms, users often have to wait up to an hour for access to a Marisat satellite. Even so, their messages must return to Earth at one of the three Marisat ground stations on the east and west coasts of the U.S. and in Japan. This is of little or no benefit to ship-owners in Europe and other areas distant from America or Japan if a message sent through Marisat still has to be transmitted onward across the Atlantic or Pacific by submarine cable or conventional high frequency radio to reach its destination.

As Inmarsat comes into operation, its wide spread of ground stations will need only short landline links between them and shipping industry centres all over the world. Unlike Marisat it is a completely commercial and multinational system with no military or single-nationality priorities. Access to Inmarsat satellites will be virtually on demand by the 2,000 or more ships expected to be equipped to use the system by the early 1980s.

Britain's share in Inmarsat (through the Post Office) is 11 per cent of which 1 per cent is subscribed by Cable and Wireless. This is the third largest investment. U.S. has the largest with 22.5 per cent, and the Soviet Union second largest with 14.17 per cent.



One of a set of pilot-operated safety relief valves for the St. Laurent de Chinnon nuclear power station in France undergoing rigorous steam test procedures at the Skelmorlie, Lanark, works of Dewrance. The company is also supplying valves of various types to

nuclear power stations now being built in Korea and at Valencia, Spain. The pilot-operated valves are used for controlling large bodies of steam at low pressure. Their action is triggered off by the operation of smaller safety relief valves.

COMMUNICATIONS

News by satellite

AN INTERESTING example of the progress being made by private cable television and satellite communications in the U.S. is afforded by announcements of equipment orders for earth stations and cameras placed by the newly formed Cable News Network (CNN) of Atlanta, Georgia.

Scientific Atlanta is to provide six earth stations worth \$700,000 while RCA is supplying studio and portable colour cameras valued at \$1.8m.

CNN will use its new Atlanta complex to collect and distribute news to the U.S. cable television industry. There are now more than 4,000 cable television operators in the country, over half of which have equipment for receiving satellite

relayed programmes. CNN has seven domestic news bureaus: in New York, Washington DC, Chicago, Miami, Houston, San Francisco and Los Angeles as well as Atlanta.

Thus, the aerials at Atlanta will be able to pick up news from many regions using various satellites and relay it via the RCA Satcom domestic satellite to cable TV operators all over the U.S.

Scans for signals

ULTRA AND very high frequency radio users who need to be aware of particular activity in these bands will be interested in the WJ-8612A receiver which uses fully synthesised tuning over the 20 to 100 MHz range and can scan-step between signals.

The instrument can be processor the instrument can be used in the "scan" mode which allows rapid searching through operator-entered frequency bands of interest, stopping at all signals in which activity and signal strength exceed operator-programmed levels. The operator can then listen to the signal and if it is of no interest, press the "exclude" button so that in future stepping through the band, only those signals of interest will be dwelt upon.

It is even possible to make the receiver dwell only on signals that have been selected by special demodulators for their particular properties (modulation type for example).

If required signals acquired can be "handed off" to other receivers for closer analysis or monitoring. The receiver can remember up to 96 channels. Manufacturer is Watkins Johnson International, 4 Shirley Avenue, Windsor, Berks, SL4 5JU (07535 69241).

COMPUTING

More power to home unit

LOW-COST, A stand-alone, personal computer system with its own interactive graphics has been given a world launch by Hewlett-Packard.

HP85 is a unit with a powerful central processor, type-writer-like keyboard, cathode ray tube display, printer, tape cartridge and graphics capability in a system the size of a portable electric typewriter. BASIC programming makes it easy to use for those without previous computer experience. A 20-key numeric pad ensures that data entry or performance of simple arithmetic operations is simple.

Four input/output ports will connect to a variety of optional interface modules, giving it powerful capabilities in data acquisition and control applications. Furthermore, the input/output ports will let the user expand the system to include plotters, printers, disc drives and other peripherals.

HP85 comes with 16,000 bytes of read/write memory, with 14,500 bytes available to the user. The read/write memory can be expanded to 32,000 bytes (30,500 bytes available) simply

by plugging a further memory module into one of the input/output ports on the back of the machine.

Users can plot data on the display to clarify complex information in easy-to-understand pictorial form. For example, technical users can check test results and calculations by doing curve fitting and distribution analysis on the screen; business users can see trends in business operations by looking at a chart or curve instead of long lists of numbers. Further, any graphics display on the CRT can be preserved through the built-in printer—an operation that can be commanded simply by pressing one key.

HP, with its extensive experience of powerful desk-top calculators is working from a position of expertise to capture a significant share of the personal computing market.

This has risen from zero in 1976 to an estimated \$330m this year, with \$5.5bn predicted for 1982.

Hewlett-Packard, King Street Lane, Wincoburn, Wokingham, Berks, RG11 5AR. Wokingham 784774.

Speeding up progress

ANNOUNCED BY Intel is a microcomputer development centre which employs 7.3 megabytes of hard disc-based cartridge storage and an internal flexible disc of 250 kilobytes.

The company says that the system offers twice the performance and an order of magnitude of more program capacity

than its current systems. Intended mainly for 8086 and 8088 users it will suit those with large numbers of programs to compile, assemble, link and locate.

Model 240 provides all the hardware and software development tools necessary for the rapid development of a microprocessor-based product and can be used with all the company's in-circuit emulator modules.

More from 4 Between Towns Road, Cowley, Oxford OX4 3NB (0865 771431).

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RESEARCH

Control of strain gauge

PPM, calibration and data-logger specialist, is to supply the National Engineering Laboratory in East Kilbride with a novel IEEE 488-compatible scanner, the PPM 8000. This 800-channel system is for the NEL creep laboratory and will be used where the time-dependent strain behaviour of engineering materials at high temperatures is investigated.

The tight temperature control required by B.S. 3500, to which the Laboratory's testing conforms, necessitates accurate measurement over long periods of time and in this connection the PPM Scanner will monitor some 780 thermocouple outputs from over 200 test units.

The system controller, a Hewlett-Packard 9835, will drive and collect data from the Laboratory's 6 1/2" accuracy strain-measuring equipment and with the appropriate software will process time, strain and temperature data and store it on magnet disc.



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GENERAL MANAGEMENT

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NOTICE IS HEREBY GIVEN that all persons having claims against Investment Properties International, Limited, which is in process of winding up pursuant to an Order of the Supreme Court of Ontario, Canada, must advise the undersigned Liquidator on or before the 4th day of February, 1980. Creditors must submit their names and addresses, statements of their accounts, full particulars of their claims and the nature of their securities (if any), proved by affidavit and by all available supporting vouchers. The Liquidator may be obliged to disregard any claims received after that date.

MacPherson Hubbell, F.C.A.
Permanent Liquidator
c/o Price Waterhouse & Co.
P.O. Box 51
Toronto-Dominion Centre
Toronto, Canada M5K 1G1

Please note that this notice is not directed to shareholders, but only to creditors of Investment Properties International, Limited. It is not directed to any other company within the I.O.S. group.

THE COMPANIES ACTS 1948 TO 1976

NOTICE IS HEREBY GIVEN that the Liquidator of the said Company, and, if as required by notice in writing from the said Liquidator, are by their Solicitors, or personally, to come in and prove their said debts or claims at such time and place as shall be specified in such notices, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

KEITH DAVID GOODMAN, F.C.A.,
Liquidator,
London W1A 3BA.

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London W1A 3BA.

THE COMPANIES ACTS 1948 TO 1976

NOTICE IS HEREBY GIVEN, pursuant to section 253 of the Companies Act 1948, that a Meeting of the Creditors of the above-named Company will be held at the offices of Leonard Curtis & Co., situated at 3/4 Bantock Street, London W1A 3BA, on Monday, the 7th day of January 1980, at 3.00 o'clock in the afternoon, for the purpose mentioned in sections 254 and 255 of the said Act.

Dated this 19th day of December, 1979.

By Order of the Board,
Reginald J. Smith, Director.

THE COMPANIES ACTS 1948 TO 1976

NOTICE IS HEREBY GIVEN, pursuant to section 253 of the Companies Act 1948, that a Meeting of the Creditors of the above-named Company will be held at the offices of Leonard Curtis & Co., situated at 3/4 Bantock Street, London W1A 3BA, on Monday, the 7th day of January 1980, at 3.00 o'clock in the afternoon, for the purpose mentioned in sections 254 and 255 of the said Act.

Dated this 20th day of December, 1979.

By Order of the Board,
MRS. Z. LEWIS, Director.

PUBLIC NOTICES

HAMPSTEAD CORPORATION BILLS
£5,000,000, 10% interest, 2nd January, 1980, to 15.05.81, £25,000,000, 10% interest, 2nd January, 1980, to 15.05.81, £25,000,000, 10% interest, 2nd January, 1980, to 15.05.81.

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OBITUARY

ANDERSON, FRANK, C.B.E. Suddenly at the 22nd December, 1979, aged 64 years, George Anderson, House, 10, Glastonbury, Lincolnshire.

dearly loved father of Linda, Mary and Paul; brother of Peter. Private cremation. Funeral service to be announced at a later date.

EDUCATIONAL

"THE ABSORPTION OF YOUTH IN THE 1980s"

AIESEC, the International Association of Economics and Business Students, are running a SEMINAR on this current problem on 1st & 2nd APRIL 1980, in BIRMINGHAM. For information contact Peter Bourne 021-472 1301 ext. 3131

BOND DRAWINGS

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The distinctive numbers of the bonds, drawn in the presence of a Notary Public, are as follows:-

\$1,000 Bonds				
14770 to 14773	14775 to 14783	14785 to 14806	14810 to 14819	14824 to 14838
14846 to 14861	14864 to 14886	14889 to 14909	14914 to 14934	14939 to 14959
14964 to 14984	14989 to 15009	15014 to 15034	15039 to 15059	15064 to 15084
15089 to 15109	15114 to 15134	15139 to 15159	15164 to 15184	15189 to 15209
15214 to 15234	15239 to 15259	15264 to 15284	15289 to 15309	15314 to 15334
15339 to 15359	15364 to 15384	15389 to 15409	15414 to 15434	15439 to 15459
15464 to 15484	15489 to 15509	15514 to 15534	15539 to 15559	15564 to 15584
15589 to 15609	15614 to 15634	15639 to 15659	15664 to 15684	15689 to 15709
15714 to 15734	15739 to 15759	15764 to 15784	15789 to 15809	15814 to 15834
15839 to 15859	15864 to 15884	15889 to 15909	15914 to 15934	15939 to 15959
15964 to 15984	15989 to 16009	16014 to 16034	16039 to 16059	16064 to 16084
16089 to 16109	16114 to 16134	16139 to 16159	16164 to 16184	16189 to 16209

On 31st January, 1980 there will become due and payable upon each bond drawn for redemption, the principal amount thereof together with accrued interest to said date at the office of:-

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U.S.\$4,800,000 nominal amount will remain outstanding after 31st January, 1980.

The following bonds, drawn for redemption on dates given below have not as yet been presented for payment.

The following bonds, drawn for redemption on dates given below have not as yet been paid for payment.					
31st January, 1978					
16742	16761 to 16763	17147	17148	17152	17481
31st January, 1978					
1287	1431 to 1438	1441	1442	1512 to 1514	1549 to 15
1589 to 1593	1743	1782	1783	1879 to 1883	2022
2032 2033	2081 to 2082	2084	2085	2086 to 2092	2130
2186	2140	2187	2188	2261 to 2265	2311
2587 to 2704	2710	2768 to 2772		2856 2867	2898
2808 2810	2943 to 2946				
31st January, 1978					

THE ARTS

Covent Garden

La traviata

by MAX LOPPERT

The current Royal Opera revival of *La traviata* introduces Kiri Te Kanawa's Violetta to London. It would be nice to be able to hymn her virtues, and leave it there. For Miss Te Kanawa's singing is so beautiful, so rich, so lustrous, and full-toned in almost every phrase, that one feels a positive dismay at finding her account of the role so unimpressive. We shall have to reach quite far back in Royal Opera annals to discover a first-class solo voiced with greater confidence, plumb in the centre of the notes, steady in phrasing, and radiant in full voice. Yet it was sung without changes of tone colour, without shadows, of desperation or hectic resolve—a Maritain in the house, encountering the opera for the first time who had not acquired a programme, and who understood only the word "glor!" might well conclude that this was a lively, healthy, rather "easy" young lady in search of a good time, and that she would, in all probability, find it during the subsequent acts.

Every notice of an opera first night ought to carry, like a pack of cigarettes, a framed warning: "This is a review of the first night. Things are bound to improve at later performances." About Tuesday's first night there was so general an air of under-rehearsal that the absence of any implicit physical bond between the lovers, or between father and son, was unsurprising. It still distressed Miss Te Kanawa's playing, has been carefully worked out, it is never insensitive, and at one or two moments it reveals a true emotional insight—the tears that broke into the line during the letter-writing were accurately graded. One must have faith in the possibility that later on, when the principals have begun to react to each other's nuances instead of

merely trotting out their own, this will become an involving as well as a beautiful heroine. Meanwhile, connoisseurs of fine singing will find plenty to please.

Stuart Burrows, giving also his first London Alfredo, pleases in direct proportion to one's willingness to take the youth and the impulsive, romantic disposition of the character on trust. He does not look remotely like Renato Bruson, who returns to the house as the senior Germont. (Does the Royal Opera casting director ever consider such things?) But Mr. Burrows is a sincere and likeable performer, and after a tight-voiced first act his portrayal made a fair bid to be accepted on its own terms. No such act of faith is required for Bruson's father, painfully pent in movement, heartrendingly eloquent in his use of a voice not large but full of colour and character. The trouble is that what he brings in the role heightens one's awareness of what others are having to do without.

There are some excellent touches in John Pritchard's conducting—gracious, natural sounding rubato, a care for the singing line that persisted to some anxious passages of dissonant ensemble (the orchestra and Giorgio Germont parted ways more than once), a special sympathy with his Violetta. Except in the first Prelude, the playing was of very moderate quality. So much accurate abuse has been hurled at the Vescovi production over the years that there is little point in picking up the heavy objects all over again. But the second party was a mess—the dance episodes made no dramatic sense, and Flora and D'Almeida were a music-hall pair who only stopped short of bumping stomachs. A word, though, for the bright-eyed, very imaginative Anna of Claire Powell, a performer whose every response commands attention.

Richard Rodgers

Richard Rodgers, who died last Sunday aged 74, was undoubtedly the century's greatest composer of musicals. Between 1920 and 1970 he produced nearly 50 shows, besides copious music for films.

His career was sharply divided in the middle. Until 1943 he worked with lyricist Lorenz Hart, and his music reflected Hart's lively, subacid style. ("She's gentle and mentally almost complete, she's knockout, she's regal, she's almost illegal, she's the Girl—Friend"). Together they produced 30 shows, the first *Poor Little Rich Girl*, when Rodgers was only 19. They include *A Connecticut Yankee*, *The Boys from Syracuse*, *Pal Joey*, besides *Lionel Lincoln*, *One Day After Another*, and *South Pacific*, which were commissioned by London managers. (Rodgers does not seem to have been happy with the British all the same.) The list of songs from these shows that are still current is endless—"My heart stood still," "Dancing on the ceiling," "Bine room," "Mountain

greenery," "I wish I were in love again," "Ten cents a dance." It goes on forever. Hart, who had social problems, dropped out in 1942 and died the next year, and Rodgers began to work with Oscar Hammerstein II, whose lyrics were less sophisticated, more sentimental, but had already written, among other things, *The Desert Song* and *Rose Marie*. Rodgers's music took on the same character, but what it lost in sophistication it gained in melodic charm, and the songs from *Oklahoma*, *South Pacific*, *The King and I* and *The Sound of Music* have as much claim to "immortality" as music ever has.

Hammerstein died in 1960 and Rodgers never settled down with another partner, though he tried several, including himself (*No Strings*) and Stephen Sondheim (*Do I Hear a Waltz?*). Rodgers also produced or co-produced musicals in New York, including *Annie Get Your Gun* and all his own shows from *South Pacific* on.

B. A. YOUNG

Old Vic

Toad of Toad Hall

by CHRIS DUNKLEY

This Christmas *Toad of Toad Hall* is being presented for the first time in the very suitably dark green interior of the Old Vic. This management is billing the play as being in its "Golden Jubilee Season." It seems that they mean by this not that A. A. Milne's adaptation from *The Wind in the Willows* has been presented at Christmas fifty times before (this is its 32nd production), but that it was first produced at Liverpool in 1929. Still, whether it is really entitled to a jubilee or not, *Toad* has undeniably established itself as one of the very few classics of children's theatre.

It has so many of the essential ingredients of successful

children's action: anthropomorphism in the form of the appealingly conceited Toad himself, and his indulgent friends, Mole, Water Rat, and Badger; very clear distinctions between the powers of light and darkness, between the residents of the river bank and the struts and weasels of the wild wood; a jolly good fight at the end, and much more besides. Yet also undeniably, it is with its three acts, ten scenes, plus prologue and epilogue, and its two intervals, rather long, even for older children, never mind the howling babes-in-arms, which gormless parents take into theatres nowadays.

The main strengths and weaknesses of this year's production all result from the frequency

with which the leading actors have played their parts before. Richard Goulden, now 34, is as marvellously alert and spry as ever. In the role of Mole, which he has played 19 times in David Conville's production, Goulden and the children in the audience have a rapport which is unbelievable until you see and feel it.

Tan Talbot, playing the leaping, tongue-flapping Toad for the seventh time in the West End, Terry Wale in his fourth season as Rat, and David King, who first played Badger in 1962, all know precisely where they will get their best responses. That very fact, however, can bring a somewhat dull and mechanical feel to some parts of the play.

Before Bartok's familiar Romanian Folk Dances, we had Chaikovsky's *Souvenir de Florence*, a string sextet that reveals in chamber-orchestral textures. The performance had its hectic moments, but it was always infused with proper passion, strongly led by Lysy himself. There was a convincing sweep, and real excitement in the Finale. There has been little enough serious music in this holiday period, and the visit of the *Camerata* was a gift to be appreciated.

Elizabeth Hall

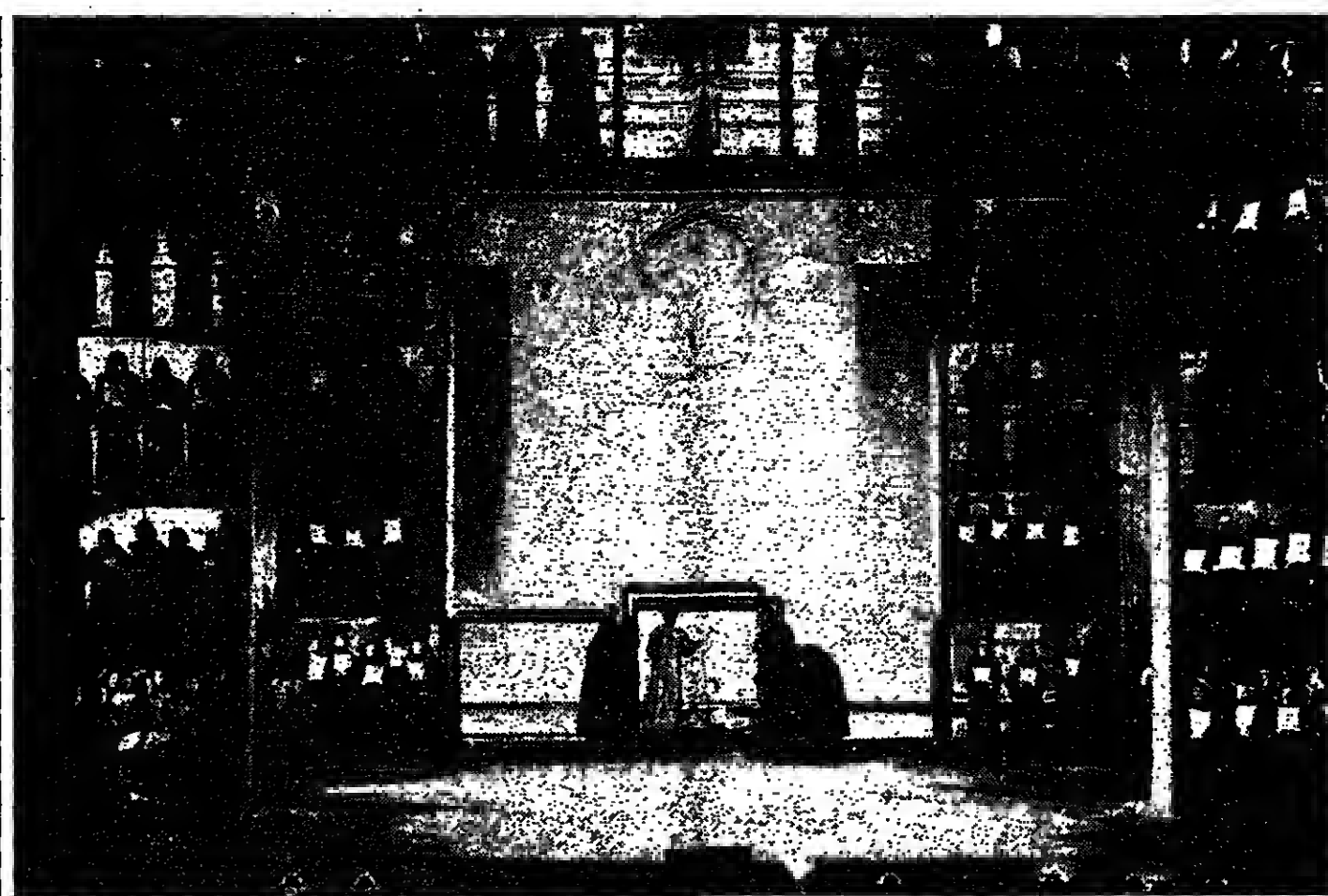
Camerata Lysy

by DAVID MURRAY

Alberto Lysy's *Camerata* orchestra of Gstaad is the performing wing of the International Music Academy, which seems to mean that teachers and students alike play in it. Yehudi Menuhin himself appeared with them on Thursday and Friday last week. I heard their second concert, in which he led the early B-flat Sextet of Brahms. It was a warm, even impulsive performance of a work that is honestly both long-winded and short-breathed.

Yehudi Menuhin himself appeared with them on Thursday and Friday last week. I heard their second concert, in which he led the early B-flat Sextet of Brahms. It was a warm, even impulsive performance of a work that is honestly both long-winded and short-breathed.

The whole *Camerata*—more than a score of strings—had begun with a little Haydn Divertimento in G, which remained a lively affair even with the unwontedly large band. Uniformity of sound is not, I think, something to which Lysy assigns a high priority, but the collective vigour of the *Camerata*'s attack is a consistent pleasure, combining the eagerness of youthful players with the assurance of more seasoned ones. In principle the members take turns at different desks, though there was only a little trading about in this programme: I should have liked to hear more of the young Japa-



The Prologue, Scene 2

La Scala—1

Boris Godunov

by MAX LOPPERT

This season La Scala opened its doors not with Verdi, but with a new Boris Godunov. Claudio Abbado, in what appears to be his final season as musical director, conducted Mussorgsky's original—or rather the condensation of the composer's first and second versions made feasible by the Lema/Lloyd-Jones edition. Yuri Lyubimov (producer) and David Borovsky (designer) from the Moscow Taganka Theatre were responsible for the staging (thus continuing a collaboration with Abbado begun with the 1975 Milan premier of Nono's *Al canto grassetto d'amore*). Though Mussorgsky's proper was introduced to the Scala in 1956, the Rimsky-Korsakov revision of the opera has held sway there in all other revivals: for this reason, but by no means only for this reason, the show has been a success.

At the fourth performance, the stalls were less than full, but the house was attentive (though not necessarily silently attentive in the way a Northern visitor expects and prefers) and, at the end, cordial about a performance lasting (with two intervals) almost four-and-a-half hours, sung in the original, rather than the vernacular, tongue.

This Boris was an event of major importance. I found it an impressive failure—an orchestral magnificence, conducted by Abbado with a combination of seriousness, scruple, and passionate fire hardly equalled in my experience; vocally and chorally good rather than splendid; and dramatically misconceived. As the result of that last adverb and adjective participate in conjunction was to cast an increasingly onerous weight on the progress of the opera, it is worth considering in a little detail the ways in which the Moscow team contrived to misrepresent the drama. Our picture shows the basic, unchanging set—tiers of chorists robed as monks, candle and

script in each hand, the banked cells framing a huge central icon. Movable trolleys bear on and off items of scenery, sometimes decked with candelabra and censers, or curtained to provide alcoves for the intimate indoor exchanges, even (in the Polish act) twined with garden greenery.

We soon come to realise that the intention is to enclose the entire spectacle within the confines of Russian Orthodox Christianity. The opera itself is, it seems, being "given" by monks. Pimen sits before his tablet in a side cell, on stage for most of the evening; monks doff their habits to become Grigory, Varlaam, Shuisky; characters emerge from and return to their cells. In practical terms, the advantage is that a long and scenically various opera—Abbado chose to include, almost in full, the later, longer version of Act 2, the Basil Cathedral and Kromy Forest scenes—moves fleetly. (But the intervals have been placed following the Prologue and the third act—a misshapen arrangement necessitating a long, long sit between the two intervals.)

"Boris oratoriale" was the verdict of *La Stampa's* Massimo Mila; and in its static, pseudo-ritualistic, generalising way the production afforded some undeniably majestic passages. "Static," pseudo-ritualistic, "Generalising"—Boris Godunov: Let us recall, in memory, and for good measure, the attention of Messrs. Lyubimov and Borovsky as well. Susslov's words: "the operas Boris and Khovanshchina" constitute an entire world, embodied in music with extraordinary genius, power and originality. Both individuals and masses of people pass before us in a multitude of scenes encompassing the widest possible range of human feeling

and experience." A production intent on reducing that range—reducing the mighty changes of location, the contrasts between monastery and palace, city square and imperial apartment, and a troupe of soldiers—there was no opportunity to feel retrograde hunger for any of the Rimsky instrumental glories.

The title role was taken by Nicolai Ghiaurov. The voice, still noble, shows its age; never a performer to communicate through either decisive theatrical gesture or sharply etched verbal delivery, he seemed lost amidst the numerous sways and bustles—a strange account of Boris, indeed, in which the great monologues pass without exciting special interest. As Pimen, a fellow Bulgarian bass, Nicola Ghiuselev, was smooth of voice, able but unremarkable. Even a non-Russian speaker could tell that some of the Italian singers were more expert with the Russian language than others: Ruggero Raimondi's Varlaam was pungently sung and keenly uttered, Fedora Barbieri's Hristina lively without exaggeration.

In too many of the smaller parts blanks were drawn where one knows vividness to be possible (Philip Langridge and John Shirley-Quirk, Shuisky and Rongoni at the first performance and generally admired, were less effectively replaced at the fourth). The most colourful singing came in the Polish act, from Lucia Valentini Terrani, a sumptuous-toned Marina, and from the third Bulgarian of the cast, the young tenor Mikhail Svetlov, who threw out the Prentender's phrases in a full-throated, unrestrained way—it may not have been very elegant, but in the circumstances, it proved unusually enjoyable.

Lyric Studio, Hammersmith

City Delights

by B. A. YOUNG

"There are far too many revues," Max Adrian sang at the Court, in the telly-free age when the stars of the stage put a gloss on the times with ingenious rhymes, or dealt with our crises in five-minute slices of drama with blackouts to cut them off short.

Airs on a Shoestring at the Royal Court in 1953 opened with that reflection, but still it ran for nearly two years. In the same period, *Street and Lure* and its two sequels clocked up 1,925 performances. Now, alas, revues appear only at the Edinburgh Festival and at Cambridge in May Week. Why? Some have attributed it to *Beyond the Fringe*, so good that no one dare compete. Some to Ned Sherrin's television Saturday nights, revues in your own home. Some to the development of the serious, starless theatre companies, for revue calls for stars as well as good material.

City Delights, directed by Richard Denning at Hammersmith after an initial outing at Oxford, has two potential revue stars in the company—Jonathan Adams and Madeleine Newbury. They have that ability to leap straight into a character without sacrificing their own personalities that is vital in sketches where character must be estab-

lished in a minimum of time. Mr. Adams as a Harley Street specialist deep in the black market, Miss Newbury as a television cook, are very funny—as funny, that is, as their lines allow.

Steve Alder and Melane Wallis are two likeable juveniles, who can do a sentimental or a comedy number nicely enough. Miss Wallis on her own has what seemed to me the evening's best song, "I was born too late for dreams," which she sings straightforwardly into a hand-held mike and (with the aid of some projected slides) moved me profoundly. Mr. Alder's best hit comes as an Australian mini-director, misdirecting his drivers over the office microphone.

But the standard of material is pretty modest. *City Delights* is a clear example of why revue has died: too few fresh ideas. I suspect some of the numbers are veterans anyway (how else could Kerry Lee Crabbe suggest in his piece about a critic that Herbert Kretzmer and Bernard Levin were still covering the drama?) Certainly some of the ideas are. They may serve for the generous audiences at midnight Edinburgh; they are hardly up to seventh-city Hammersmith.

Elizabeth Hall

Jessye Norman

Miss Norman's New Year's Day recital found her at the height of her powers. The lustre of her grand soprano was flawlessly even over its considerable range, as broad and powerful as the top of a mountain, and sustained in the mezzo register.

More important, not a phrase was scamped anywhere in the programme—not even a word: the measured intensity of the whole performance was riveting, and splendidly complemented by Miss Norman's platform manner, which somehow combines imposing solemnity with good-humoured ease. It was a pure leader programme: Beethoven's six Gellert Songs, the "Seven Early Songs" of Alban Berg and a substantial Brahms group. Miss Norman and Geoffrey Parsons were joined by the violinist Ulrich von Wrochem for the two Brahms songs of Op. 91—lovely, unforced performances (with hushed tone from von Wrochem) which may be heard to better advantage in the eventual broadcast, for in the hall the balance was odd: the soprano seemed to be accompanying the viola from a distance, while the piano barely made itself felt. Mr. Parsons was reticent elsewhere in Brahms, too: with a cocked ear his unfailing sensibility could be recognised, but on a scale too small to give full support to the sizeable voice, especially at Miss Norman's extremely deliberate tempi. She made more of the words, arguably, than Brahms did, but that can hardly be a complaint against such plainly devoted explorations of the songs.

Miss Norman was as full voiced and committed with Berg's songs as her accompanist was shrinkingly delicate: his discretion amounted almost to

innocent sabotage, with crucial harmonic underpinnings—these are not atonal songs, but ripely chromatic ones—left virtually inaudible. One longs to bear the soprano with an orchestra in this music, which Brahms's unduly modest label has not helped to sell: "early" it may be, but it is more beautifully and strongly made than many Strauss songs of the period. If the range is exquisitely decadent it is still wide, and Miss Norman entered into the various moods with wonderful sympathy.

I have left the Gellert Lieder in the end, though Miss Norman began with them. They are difficult songs, uncomfortably sober and strangely proportioned. The grave fervour of her declamation was perfect, guided by an iron grip on the severe musical substance (and assisted to the hilt by Parsons in his best vein). It was the first time that I have heard this set made to fulfil its abstract promise: Miss Norman has fixed a noble standard.

DAVID MURRAY

New theatre directors

The new year sees changes in two of the country's leading regional theatres. Richard Cottrell is returning as artistic director of the Bristol Old Vic at the end of the spring season to concentrate solely on directing and Stephen Hollis is quitting the Watford Palace after eight years to become a freelance director.

His successor at Watford will be Michael Attenborough who has just completed a one year contract as associate director with the Young Vic.

ADVERTISEMENT

WESTFIELD MINERALS LIMITED



P. J. Hughes

G. T. Smith

S. P. Boland

A. H. Meldrum

J. F. Kearney

Mr. Patrick J. Hughes, Chairman of the Board of Westfield Minerals Limited, is pleased to announce the following executive appointments made during 1979:

MR. GEORGE T. SMITH—President and Chief Executive Officer. Mr. Smith who is a Director of Westfield is also President, Chief Executive Officer and Director of associated Northgate Exploration Limited. He graduated from the University of Toronto with a B.A.Sc. degree in 1952, Osgoode Hall Law School, Toronto to 1956 when he was called to the Bar of Ontario and read law with Kilmer, Rumball, Gordon, Davis & Smith, barristers and solicitors, until joining the Northgate Group of Companies in 1962. He served as Vice-President and Counsel for Northgate from 1962 to 1970 and as Executive Vice-President to April, 1974. He then joined Camfil Mines Limited as President and Chief Executive Officer and Director, which position he held until March, 1979 when he was appointed President and Chief Executive Officer of Northgate. Mr. Smith is also a Director of associated Anglo United Development Corporation Limited and Whim Creek Consolidated N.L. He is also a Director of Zapata Granby Corporation, Rayrock Resources Limited and Merland Explorations Limited.

MR. SYLVESTER P. BOLAND—Executive Vice-President. Mr. Boland who is a Director of Westfield is also Executive Vice-President, Chief Financial Officer and Director of associated Northgate Exploration Limited. He graduated from University College, Dublin with a B.A. degree in Economics and a B.Comm. degree in Business in 1951 and is a Fellow of the Institute of Chartered Accountants in Ireland. Mr. Boland joined the Northgate Group of Companies in 1965 and served as Vice-President of Finance until 1978 when he was appointed Executive Vice-President. He is also Secretary and a Director of Northgate's operating subsidiary Irish Base Metals Limited and a Director of Tara Exploration and Development Company Limited.

MR. A. H. MELDRUM—Vice-President of Exploration. Mr. Meldrum is also Vice-President of Exploration of associated Northgate Exploration Limited. He graduated from the University of Dublin,

Trinity College with a B.A.(Mod) degree in Geology in 1965 and is a Member of the Institute of Mining and Metallurgy (I.M.M.). He joined the Northgate Group of Companies in 1965 and worked as an exploration and mine geologist for Northgate's subsidiary Irish Base Metals Limited. From 1969 to 1972 he worked as an exploration geologist in Canada and Australia for Northgate and associated Whim Creek Consolidated. In 1972 he was appointed Exploration Manager of Irish Base Metals Limited and in 1975 was appointed Vice-President of Exploration of Northgate. He is a past President of the Irish Association for Economic Geology.

MR. JOHN F. KEARNEY—Secretary-Treasurer. Mr. Kearney is also Secretary-Treasurer of associated Northgate Exploration Limited. He graduated from University College, Dublin with a B.C.I. degree in Law (1971), a B.A. degree in Economics (1976), a LL.M. Masters degree in Law and a Diploma in European Law (1979). He attended the law school of the Law Society of Ireland and was admitted as a Solicitor in 1972. He graduated from the University of Dublin, Trinity College, with a Masters degree in Business Administration (M.B.A.) in 1974 and is a Member of the Institute of Chartered Secretaries and Administrators (A.C.I.S.), London. He joined the Northgate Group of Companies in 1973 and served as legal counsel and assistant secretary of Tara Mines Limited, subsidiary of Tara Exploration and Development Company Limited until 1979 when he was appointed Secretary-Treasurer of Northgate.

Westfield Minerals Limited, listed on the Toronto Stock Exchange, is a Canadian resource company with exploration activities in Canada, particularly an extensive uranium exploration programme in Newfoundland, and oil and gas interests in British Columbia. Through associated Whim Creek Consolidated N.L., Westfield is engaged in gold mining and exploration in Australia. The Company has a substantial minority equity interest in associated Northgate Exploration Limited which has mining operations in Ireland, exploration activities worldwide and oil and gas interests in Canada and the United States. Westfield also has a significant minority equity interest in Vespro Mines Limited which operates a substantial base metal mine in Greenland.

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The missing yardsticks

WITH BATTLE already joined in the steel industry, potentially threatening in the railways, and with a clear, unquestioned mark over the shipyard, the Government is clearly prepared to run substantial risks to establish a principle: that pay in publicly owned industry must be earned in the market, as in any other industry. After decades of muddled aims, misleading accounts, interference in pricing and investment decisions, it has clearly become necessary to cut the knot, however unpleasant the initial shock. Only in this way can efficiency be re-established as a basic criterion, and negotiations be based on reality.

Inevitable

In the short run, then, conflict appears inevitable; but in the longer run, it is to be hoped that those employed in these industries will want to join in the more constructive business of negotiating a sensible basis for the future instead of fighting to perpetuate the past. Once serious discussion is joined, it will be found that some of the basic issues are by no means as black-and-white as the present situation may suggest, and that many of the terms for a sensible negotiation remain ill defined. The Government, even while it fights for sensible principles, should be preparing for the necessary clarification for the future. After all, compensating for existing inefficiencies by depressing real wages is no more workable as a long-term strategy than the past approach of effectively open-ended subsidy.

The present confusion is clearly visible in the financial targets which have been laid down for the nationalised industries. These not only differ in rigour according to the situation of the different industries concerned, as is politics. They seem to have no consistent basis in measuring performance, and in several cases no clear meaning at all. Thus two profitable enterprises, railways and telecommunications, have their targets set in terms of return on capital at full current values, before paying interest, which is at least clear and coherent, but are set different target rates of return. The still more profitable gas industry is required to achieve a margin on turnover, not investment, after paying in-

terest, which appears to be simply a way of concealing its true profitability. The railways, the bus company and the coal industry are all required to earn enough to pay interest and depreciation; but the current rate of interest has no clear relation to the sensible return to be earned on assets which have a long life, since high interest rates are effectively a return of capital to the lender. If realistic depreciation were charged on top of this, the target might be over-ambitious; but in fact the basis for depreciation is not stated. The muddle continues through the other industries. It is not even clear that the cash limits which actively constrain the employers in the current wage round are consistent with the declared financial targets for each industry.

Clarification

These issues must be clarified as far as possible, preferably within the coming year, if rational discussion is to succeed the present battle of wills. But financial clarification cannot be the end of the story. One difficult problem is how far industries suffering a cyclical depression should be helped. In fact the present Government target for the steel industry is lenient in the extreme, involving little more than covering the cost of wages and other current inputs, with little hope of servicing financial capital or funding the replacement of real capital. To describe this as "breaking even" conceals what is in fact a concession. It might well be more persuasive to spell out the losses, in current costs terms, which are really being permitted.

Other issues which need to be clarified are the size and purpose of permanent "social" subsidies in industries, which are to some extent explicitly covered by grants (but not, for example, in the case of commuter services), and the extent of largely concealed cross-subsidies—from BL to British Steel, from steel and electricity to the coal mines, and soon. All this adds up to a mountainous task after the confusion of the past, but it will have to be tackled to avoid continued acrimony and confusion in the future.

A warning from Turkey

TURKEY'S armed forces do not bluff. Their warning to the country's politicians is clear: if the military is not to come to grips with the terrorism which is costing around 200 lives each month the army will feel compelled to take even more power than it already exercises.

For the West the warning is a worrying reminder of the gravity of the situation in its most loyal ally between the Bosphorus and the Bay of Bengal. The foreign exchange famine continues. The so-called "oil crisis" is a capital short of electricity, fuel oil and the lignite used for heating. While the people face a bitter huddled winter, the West also has its problems. Its strategists need an agreement to allow the continued operation of the important U.S. mooring stations in Turkey. The banks need to see long overdue understanding being reached with the International Monetary Fund to allow the second draw down on the \$325m standby arrangement signed this summer. Unless this understanding is obtained other financial aid will be held up.

For Mr. Süleyman Demirel, the Prime Minister, the warning is a disturbing reminder of the fragility of his minority government. After only five weeks it appears to be running into troubles with the military, but it has to be said that these troubles are largely of Mr. Demirel's own creation.

Involvement

Nine years ago his cavalier approach to terrorism contributed to a military ultimatum which forced him out of office. In 1975 he came back to office, preiding over two coalitions which included the militant right-wing Nationalist Action Party. Since then the evidence of NAP supporters' involvement in killings and terrorism has steadily mounted—particularly during the past two years when Mr. Bulent Ecevit was in power. Yet when Mr. Demirel took office in November he again turned to the NAP for backing and put a number of its followers in Government posts. Two weeks ago he told a meeting of university rectors that while left-wing militants sought to undermine the State, right-wing militants seek to reinforce it. The military present at the meeting did not agree, indeed, on that same day

the martial law authorities in Istanbul found pistols and explosives in the offices of the youth organisation supporting the NAP. Also found was a list of prominent people, apparently to be killed.

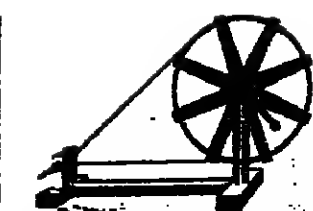
The armed forces' warning attacks both right and left—and by implication demands that the government does the same. That no such warning was issued during the 22 months Mr. Ecevit was in office is in itself a comment.

Cooperate

In November Mr. Ecevit held out something of an olive branch to Mr. Demirel, offering to cooperate with him against terrorism as that Mr. Demirel would not have to rely on the NAP. It was rebuffed with Mr. Demirel's refusal to prove that despite all that has happened he has not forgotten nothing and learnt nothing. The parties are as far apart as ever on terrorism, while Mr. Demirel has been seeking low, shifting or dismissing large numbers of civil servants, police officers and teachers in a way which only aggravates the mounting polarisation of the state machinery.

The assassin's bullet is a very real threat to many Turks, and the West and Turkey's neighbours have an obligation to do what they can to stop the continuing arms smuggling to the country. But the West also has to face up to a far more difficult and wide ranging problem. Among the main factors contributing to the mounting terrorism are the unemployment and dislocation fuelled by the country's economic crisis. On this at least Mr. Demirel seemed to be determined to act decisively but his margin is limited. Like but worse than most developing countries Turkey has been hit by the rise in oil prices.

In 1978 and 1979 it had to adopt the IMF's prescriptions but each time it seemed near to getting on top of the situation a fresh oil price rise left it running faster merely to stay where it was—with all its export earnings earmarked for its fuel bill. It is now an object lesson of the problems which other developing countries may face, namely a depressed economy, political uncertainty and with debt which has been rescheduled once and may need to be rescheduled again. If Turkey's politicians have the warning to consider, so the country as a whole is a warning to others.



● Congress (I) Party—symbolised by a spinning wheel. Opposed to Mrs. Gandhi, this faction claims to represent the Congress that ruled for 30 years from independence to 1977. It is led by Mr. Devraj Urs, Chief Minister of Karnataka.



● Lok Dal—symbol is a farmer ploughing. Party of capitalist Prime Minister, Charan Singh. It was formed when Janata split up. It advocates the primacy of agriculture and small industry in India's development.



● Janata Party—symbol is a cultivator within a wheel. The rump of the loose coalition which swept Mrs. Gandhi from power in 1977. It is led by Mr. Jagjivan Ram, the leader of India's Harijans (untouchables).



● Communist Party (Marxist)—hammer and sickle. Now free of its former Peking allegiance, it has its strength in eastern India. It has formed alliances with other leftist parties nationally. Its leader is Mr. E. M. S. Namboodiripad.



● Congress (P) Party—symbolised by a hand. The "P" stands for Indira and Mrs. Gandhi in its leader. It split from the parent party in 1978. Mrs. Gandhi claims to represent the Congress tradition of her father and Mahatma Gandhi.

Mrs. Gandhi: the woman to beat

BY DAVID HOUSEGO IN NEW DELHI



Mrs. Gandhi at rest in her New Delhi home.

that intimate personal link between herself and the people on which other populist leaders like Mr. Bhutto in Pakistan or President Sukarno in Indonesia founded their power.

She has fought back since her electoral defeat in 1977 with unbelievable stamina. She was helped by the legal charges that the Janata Government tried to pin on her—unwise because many were trivial and politically motivated—and because Mrs. Gandhi is never more aggressive than in defence. In defending herself she has also fought to keep her son out of prison. He is appealing against a three-year sentence for theft in the Kissa Kursi film case. As part of the process of clearing his name, both he and other close associates of Mrs. Gandhi during the Emergency over whom criminal charges have been given Congress seats to fight in the election.

Comeback chance

Mrs. Gandhi's chances of a comeback emerged through the splits within the Janata Government and then from its collapse leaving a caretaker administration in the hands of Mr. Charan Singh—probably India's worst Prime Minister since independence. She has built on these failings in her speeches. Her campaign has been immensely strengthened by the heavy flow of funds which have clearly been available to her Congress Party. Her weakness has been the deep resentment within Congress against the influence over the party apparatus now enjoyed by Sanjay who has put forward some 40 per cent of the Party's candidates. To long serving members it is no longer a party they work for with enthusiasm.

Though the Janata Party has picked up momentum during the campaign, it has never had the look of a winning team. Its strength is that its leader Mr. Jagjivan Ram is the best alternative Prime Minister of a democratic government—a politician who has handled with skill virtually every ministerial portfolio during his 30 years in office, as well as being the acclaimed leader of the Harijan community.

But at 71 he had hoped to become Prime Minister through manoeuvrings between the parties. The campaign has been a physical wearing on him. Suffering from arthritis and mild diabetes, he has pushed forward slowly with the help of a stick. Hand held high, he towers over his meetings. Many in his party would have

preferred a younger leader, his image has been damaged by indications before the campaign that he might have switched over to Mrs. Gandhi if he could have ensured for himself the premiership—and might still do so though neither trusts the other beyond their thumb nail. He has felt uneasy about being allied to the Hindu chauvinist Jan Sangh Party whose organisation and strength in the North mean it can expect to contribute about half the seats the Janata wins in the new Parliament. To the annoyance of some of his followers he has been reticent in exploiting Sanjay's unpopularity in the North—partly perhaps because he has not ruled out the possibility of an alliance with Mrs. Gandhi and partly because he himself has a son with a blemished record.

Mr. Charan Singh, initially the third contender for the premiership has slowly slipped from the race—a victim of his Government's mismanagement and of his failure to broaden his base beyond the faction of the farming community that he represents. He even risks losing in his own constituency. Accepted Indian practice is that the leader of the single largest party has the first crack at attempting to form a government. Mrs. Gandhi is likely to be in a strong position. She hopes to be "gathered in" by the Congress Party and through the support of regional groups such as the

Tamils. How close she comes to an overall majority in a Parliament of 542 seats will depend mostly on her success in winning the votes of the Muslim and Harijan communities of North India accounting for 20-30 per cent of the population in the key states of Bihar and Uttar Pradesh which between them command 139 seats.

Balancing factor

It has become a major feature of this election that because of the divisions of parties and caste the 80m Muslims in India have become a balancing factor—thus enhancing their communal self-consciousness and provoking Hindu resentment to it.

The further Mrs. Gandhi finds herself from a majority the greater will be the temptation to strike a deal with Mr. Jagjivan Ram, which presented in the interests of national reconciliation, would remove the charges from Mrs. Gandhi and leave Mr. Ram as an interim premier.

Apprehension of Mrs. Gandhi's possible return to power is widespread. In many ways the recent instability has its parallel in the years 1967-69 or 1973-74—also periods of economic recession, high prices and a fragmentation of political authority that reflected abrupt social tensions.

The main difference is that in recent years the Indian economy has developed a new underlying strength. Agricultural output has grown, the relaxation of controls in the public and private sector has released more dynamism in industry and the growth in the number of job creation programmes has provided some safety net for the very poor.

Effective government is needed to tackle the problems of high inflation and labour unrest and of the bottlenecks in the infrastructure sectors of power, coal and transport that are at the moment throttling growth. Effective government was what Mrs. Gandhi failed to provide in her 11 years of power until, overwhelmed by problems, she proclaimed the emergency in 1975.

The authoritarian rule of the Emergency provided the illusion of stability—but it was little more, as was demonstrated by the thoroughness with which it was swept away. Mrs. Gandhi is still a firm believer in iron discipline. But even the business community which had been among her staunchest supporters now believes that the iron hand is both too facile a solution and one that could further distort an economy increasingly enervated by competition.

The dearth of talent around Mrs. Gandhi is equally worrying. Her father Jawaharlal Nehru worked with or was held in check by the powerful Congress politicians who brought the country's independence. The Janata Government for all its faults included a broad range of people—Mr. Jagjivan Ram, Mr. Atal Bihari Vajpayee, the Foreign Secretary, Mr. George Fernandes, the Minister for Industry—who reflected the complexity and diversity of a nation of 600m people.

Mrs. Gandhi has no liking for men of independence or strong character—her suspicions of conspiracies against her seem to have grown since she was voted out of power and then threatened with judicial charges. Distrusted by her or distrustful of her, the old Congress leadership has either left her or been purged. The only politician of any stature left in the party is Mr. H. N. Bahuguna a former Minister of Petroleum who has a following in Uttar Pradesh. Otherwise Congress Party tickets have been awarded on the basis of subservience and loyalty—a criterion that has brought back the men who misled her in the Emergency and helped bring her name into disrepute. Along with them have come camp followers—some with criminal charges pending against them.

The third source of apprehen-

sion is that though Mrs. Gandhi is nationally the best known politician, in the present circumstances she is less likely to be a unifying factor than a fresh cause of disension.

The immediate fears are in the civil service, the public sector industries, the Press and judiciary where there is little doubt that Mrs. Gandhi is anxious to settle scores of the last 2½ years. Beyond that the period of Janata has seen the emergence of new bases of power in the country—the Marxists in Bengal, a stronger trade union movement, the deeper penetration of the Jan Sangh across north India, caste lobbies reflecting the increased prosperity of the farmer class, and new regional groupings. Mrs. Gandhi's vision of a united India does not encompass such divergence. Equally the Marxists, the unions and the Jan Sangh are preparing to do battle with her. Violence is more likely to grow than decrease as Mrs. Gandhi is promised.

Coalition hope

Because of these fears many hope that Mrs. Gandhi's majority will be slim enough for her to be forced into a coalition that will bind her hands. But on whatever terms she comes back her name is so linked with authoritarian rule that this fear alone is likely to usher in at least a temporary truce.

Her immediate concern will be the dropping of the charges against her, against Sanjay and against her other close followers.

Beyond that she has at the moment only one state government in which her faction of Congress has the upper hand. Victory in the national elections would result in changes of allegiance in a number of State Assemblies to bring more State Governments to her side. Besides, some fresh state elections are likely to follow soon the national poll.

Mrs. Gandhi's opponents have spent much energy determining how they will resist her after the election. It is just possible that the fear of Mrs. Gandhi will produce a majority coalition in Parliament to defeat her. But it is not a coalition that is likely to provide a stable government. Whoever wins the dice fall, India expects tense months ahead aggravated by the problems of a country slipping into a sharp though possibly short lived recession. The encouraging feature is that Indian democracy has stood the test of 30 years. It will not easily expire.

MEN AND MATTERS

Close to the bitter end

But for the floods, the cold, the steel strike and the invasion of Afghanistan, one of the more remarkable judgments which the European Court has put in the EEC Commission's Christmas stocking would not have escaped attention. It is a yet another instalment in the bitter saga of isoglucose, the liquid sweetener produced from starch more cheaply than the conventional sugar from sugar beet.

Production was started in Holland by Royal Scholten Honig and in the UK by Tunnel Fisheries. Fearing competition to sugar beet, the EEC council imposed a levy on isoglucose in 1977 to make production uneconomic. This intention is evident from the Commission's inter-office papers. The regulation 1110/77 was nothing but sham when it pretended (by means of non-operative provisions) that the levy had some other purpose.

In 1978 the isoglucose producers obtained from the European Court a declaration that the levy was imposed illegally because its calculation was "grossly unfair."

They then claimed compensation from the EEC for loss of production, additional costs of storage, and supplementary investments necessary to introduce substitute products. The claim was rejected by the European Court last month. The Court held that illegality by itself is not sufficient to involve the Community in liability. Such liability can arise only if a Community institution has "manifestly and gravely" abused its power. The sophistry of the regulation and the flaunting of the EEC Treaty's aim of greater efficiency in agricultural policy, were not found to be manifest and grave abuses.

The decision will be a great disappointment to Professor Francis Jacobs, of King's College, London—not only because he was pleading the isoglucose

producers' case before the Court, but also because one of the most ardent friends of the European Court has been in this country. At King's, where he teaches European law, he has organised seminars explaining the Court's work and stressing its importance. Not that the Court rejected his arguments—it did not even mention them in the 142-page judgment.

More is certain to be heard about the case. In its 1978 judgment declaring the levy illegal, the Court went out of its way to suggest that the Community should use other measures to assure "the proper functioning of the sweeteners market."

The Commission and the Council were not slow in doing just that; indeed they were in such a hurry they omitted to consult the European Parliament before making their new regulation. This has made the deputies very cross. They are now contemplating the possibility of taking both the Commission and the Council to the European Court.

Slow fuse

Westminster veterans were raking over their memories yesterday, following the release of Cabinet minutes which lay bare the ministerial agonising before Labour's 1949 devaluation of sterling. It is clear that senior politicians in those pre-television days were far less ready with instant comment upon matters of significance. The Chancellor, Stafford Cripps, told the nation about the 30 per cent devaluation (which should be well suited to the diplomatic arena in Tel Aviv. Sir Freddie Keazins, who worked with him during negotiations to get Britain into the Common Market, remembers our newly-appointed ambassador to Israel as "a tough, professionally devoted to making a success of the thing."



"Money isn't the only thing they seem to be short of!"

as the Tories' most successful chairman, and noted for a droll sense of humour, explained in later years: "The announcement came at an awkward time for us—Winston was in the South of France, Anthony (Eden) was in Canada, and I was at Haywards Heath." But Woolton's memory played him false, because although he may indeed have been in Haywards Heath, both Churchill and Eden had been called in to 11 Downing Street for an advance briefing before Cripps went on the air.

It appears that politics was a more leisurely pursuit 30 years ago.

Boots and all

THE DURABILITY and other qualities of John Robinson, 54, should be well suited to the diplomatic arena in Tel Aviv. Sir Freddie Keazins, who worked with him during negotiations to get Britain into the Common Market, remembers our newly-appointed ambassador to Israel as "a tough, professionally devoted to making a success of the thing."

Israeli. He's a great believer in 'real politik,' Sir Freddie told me.

A year or so after Britain joined the Community Robinson was made ambassador in Algiers, remaining there until 1977 when he was appointed Minister in the Washington embassy. He moves to Israel in mid-March.

From the beginning of the sixties to 1973 Robinson became deeply involved in European Community affairs, and in 1970 he was appointed special assistant to Sir Con O'Neill, top official in charge of British entry negotiations. Affecting boots instead of shoes "great big hover boots," a former colleague said—he stalked the Brussels corridors resolutely guiding the various UK negotiators along the same track.

There was no way Con's strange team of mules could have been kept on the go without someone like John Robinson, who was noted for a droll sense of humour, explained in later years: "The announcement came at an awkward time for us—Winston was in the South of France, Anthony (Eden) was in Canada, and I was at Haywards Heath." But Woolton's memory played him false, because although he may indeed have been in Haywards Heath, both Churchill and Eden had been called in to 11 Downing Street for an advance briefing before Cripps went on the air.

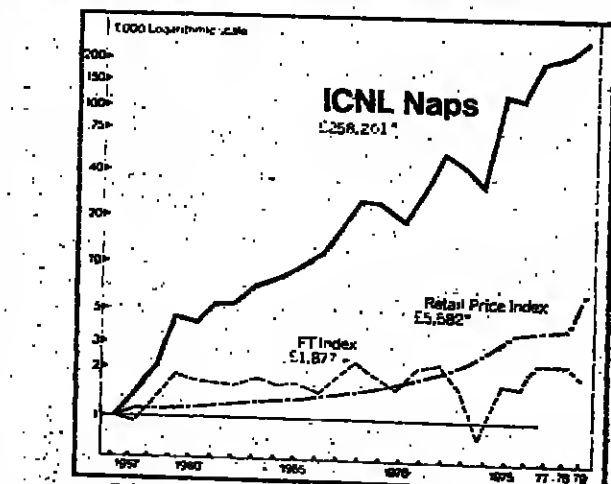
It appears that politics was a more leisurely pursuit 30 years ago.

Something fishy

Granada Publishing Company is proudly announcing its new edition of Harbottle's Dictionary of Battles. A full-page advertisement in The Bookeller says the book covers all the big battles of history from Marathon to Dieppe. The book is written by "the Yom Kippur War." "Than what about the Cod War?"

Observer

DON'T MISS THE NAP SHARES FOR 1980



At the beginning of every year the IC News Letter selects a number of shares (generally six) for capital gain over the following twelve months — its Star Nap Selections.

The chart above shows the cumulative 12-month performance of each year's Nap Selections over the last 23 years, including that of the 1979 selections. If you had invested £1,000 in the 1957 Nap Selections and reinvested the proceeds at the end of each year in the new annual selections, your initial £1,000 would now be worth £258,201 (before gains tax and expenses) against a mere £1,877 if you had invested in the FT Index and £5,582 if you had managed to keep pace with inflation.

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The ludicrous anti-indexation campaign

THE ORIGIN of the second phase of the Thatcher Government's spending curbs is largely political. The spending programmes for 1980-81, published in the November White Paper, were higher than the Treasury's original target. So long as the mood in the Parliamentary Conservative Party was dominated by fear of unpopular cuts, there was little that Treasury Ministers could do but lump it.

The 17 per cent Minimum Lending Rate on November 15 transformed the situation. The critical noise which the Cabinet began to hear most clearly was a clamour for more spending curbs.

They were, of course, pushing at an open door as far as the Prime Minister was concerned. The speeches of Treasury Ministers about the possible need to increase taxes in the Budget if the public sector unions misbehaved, may not have frightened the unions, but they certainly galvanised the Prime Minister. As Peter Riddell explained on December 21, there will be a series of bilateral haggles between Treasury and spending Ministers in time to put new figures for 1980-81 in the medium-term Public Expenditure White Paper, which will now probably appear in March and which—

together with the cash limits White Paper—will constitute the real Budget in all but name.

All this has been already sensed, if rather vaguely. But what has not been generally recognised is the magnitude of the new exercise. The best guess of those most concerned with monetary policy is that the Public Sector Borrowing Requirement will be £11bn in 1980-1981 if no fresh spending cuts are made, compared with an estimate of £3.3bn for this financial year (and an actual outturn

which may be higher).

The figure of £9bn is the provisional target for the level to which the 1980-81 PSBR should be brought down in the view of those sections of the Treasury where the monetary targets are taken seriously. The disposition there is to be very wary of assuming that the much-forecast recession will make it easier to finance more Government borrowing before the recession has already occurred.

The undeclared target in the new round of spending curbs is thus a good deal higher than generally realised. It is to reduce by a further £3bn the expenditure estimates for 1980-1981, a sum which includes whatever savings can be made in the UK contribution to the EEC Budget, of which only £350m is in the bag.

There is nothing particularly shocking or excessively deflationary about these targets. A peculiar mood has developed in both the US and the UK in which policymakers wait for a recession to come along and solve all problems. But it is in just such circumstances that the recession either fails to arrive on time (it is already late in both countries) or has a shape or size or economic effects different to those expected.

If by the time the tax side of the Budget is decided (and the later this is done the better) it looks as if the Chancellor can borrow more than £9bn at acceptable interest rates, it will be the easiest thing in the world, for instance, to raise real tax thresholds (which would be much more effective for work incentives than cutting the basic tax rate). Even if the Budget were in some sense too "cautious," its main effect would not necessarily be on output and employment, as was supposed in the heyday of fine-

tuning. The principal effects are more likely to be felt in a lower level of interest rates than would otherwise occur.

But if the Government's broad fiscal goals are unobjectionable, our political leaders have utterly failed to explain why so many onslaughts on public spending are required to achieve them. It has suited the Conservatives to claim that they are shifting resources from the public to the private sector and for Labour to attack them for doing just that. But this is a battle over something which has not happened.

The Labour Government's last Public Expenditure White Paper was a thoroughly misleading document because it assumed unwarrantably that the long-term trend for the cost of public goods and services to rise faster than private ones (the so-called Relative Price Effect) had come to an end. All that had happened was that this tendency had been temporarily suppressed by the differential squeeze on public sector wages during the Callaghan-Healey pay policies. Similar temporary effects had been observed during the Heath pay policy.

As a study by R. W. Price in the last NIESR Review (which ought to be compulsory reading for all speakers in economic debates) demonstrates, the Labour Government underestimated the cost of its plans by nearly £5bn in 1979-80, and nearly £6bn in 1980-81. This is over and above the effects of underestimating the general inflation rate. Part of this shortfall is due to the recent pensions increase, which would have occurred whichever party had won the election, but most is due to the increasing cost of public services, relative to private ones.

SOCIAL SECURITY BENEFITS 1979-80

Benefits	Cost £m (estimated)
Unemployment benefit	739.0
Sickness benefit	700.0
Invalidity benefit	1,005.0
Maternity allowance	135.0
Death grant	14.0
Guardian's allowance and child's special allowance	2.0
Widow's benefit	560.0
Retirement pension	779.0
Old person's pension	34.0
Supplementary benefit	2,300.0
Non-contributory invalidity pensions	77.0
Attendance allowance	217.0
Invalid car allowance	4.0
Mobility allowance	84.0
Industrial injury benefit	55.0
Industrial disablement pensions	250.0
Industrial death benefit	36.0
Child benefit	2,800.0
Family income supplement	25.0
War pensions	378.0
Welfare food	31.0
Lump sum payment to pensioners, etc.	102.0
Total	14,345

Source: House of Lords, Hansard, P.196, October 24, 1979.

If you think that a Conservative Government dedicated to sound money would at least have presented its figures more realistically, you are obviously very new to British political economy. The present Government's White Paper of last November was a giant step backwards, containing only figures in volume terms, which made no allowance for changing relative costs and was thus in the funniest of "funny money." As the NIESR study showed, all that the Conservative cuts to date have done is to offset Labour's overoptimism on costs—or in the jargon which is used—have "substituted volume cuts

for cost increases." Public spending in cost terms is still planned to rise by 2 per cent per annum, even after allowing for inflation, between 1979-79 and 1980-81 and is likely to be 14 per cent higher as a percentage of GDP in the latter year. Thus one does not have to subscribe to the November White Paper view that "public expenditure is at the heart of our economic problems" (a sentence not incidentally written by any Minister) to see the need for further cuts.

Quite the most wrong-headed way to curb spending would be to follow the inspired hints against indexation which were

sprouting all over the place before Christmas.

Mrs. Thatcher is known to be very sensitive to anything, such as increases in nationalised industry prices, which have an impact on the Retail Prices Index. This sensitivity is supposed to arise because public sector wages are indexed—

which they are not at all. In some recent years they have risen far more than the prices index, and in a few a good deal less.

If public sector wages are rising too fast (perhaps even faster than the NIESR estimates just cited allow for), it is because the present Government, like the Callaghan one, has been prepared to buy off trouble and keep the Clegg Commission going, with its infinite possibilities for boosting public spending and pricing people out of jobs. It is indeed difficult to see the common sense or justice of expecting the steel workers to contemplate a cut in real wages, because their industry is making a loss, when public service staff and the Civil Servants, who have never faced a profitability test in their lives, are having their pay upgraded.

The attack on indexation represents the search for a scapegoat by appeasing ministers and officials who do not have the courage to abandon Clegg and Civil Service pay research. The area where action is most likely is social security benefits. Long-term benefits, which are mostly pensions, have up to now risen either with the general wage level or the price index, whichever has gone up most. It is hardly surprising that, with this overblown formula, expenditure has soared. The Social Services Secretary, Mr.

Patrick Jenkin, is bringing in legislation to amend the formula so that pensions are tied to prices only.

The main place where indexation is being considered is unemployment and perhaps other short-term benefits at present linked to the Retail Prices Index. There are certainly powerful deterrents to work at the lower end of the tax and social security system. The "poverty trap" which can make people worse off as a result of taking a job has several roots—low tax thresholds and the non-taxation of benefits, being at least as important as the benefit level itself. There is, of course, nothing sacrosanct about a particular level of benefit, especially short-term benefit—for which the humanitarian case is probably less than for the long-term variety.

But it would be crazy to drop the link with the cost of living index as a backdoor method of reducing the real value of short-term benefits. For we would then be in the absurd position where the higher the rate of inflation, the more these benefits were cut. Thus the Government would have a vested interest in a high inflation rate as a method of cutting public spending. This is over and above the interest it already has in maintaining inflation, as a result of refusing to borrow on indexed stocks and committing itself to pay nearly 15 per cent interest rates into the 21st century—no real burden at the moment, but impossibly onerous if we ever had low or zero inflation.

If Mrs. Thatcher is really serious about tackling the question "why work?" she would hardly have countenanced the failure to index child benefits.

As Mr. Frank Field has frequently pointed out in the letters column of this paper, child benefits are deducted from the dole; thus the higher level of the benefits, the greater the gain from taking a job. It may be difficult to afford a real increase in child benefits at the moment, but to cut them by dishonest method of non-indexation blatantly contradicts all the pious ministerial talk of improving the supply side of the economy.

So far from indexation being "giving in to inflation" it is the failure to index which constitutes such a giving in. These examples show that indexation, properly understood, is simply a search for a stable measuring rod for contracts and official undertakings. It need not involve guaranteeing anyone anything, but is basically an attempt at honesty in public life. It means that if the Government has to raise taxes, it does so openly and not by allowing inflation to erode tax thresholds. It means that if a particular labour market deteriorates so that a real wage cut of 5 per cent is necessary, this is openly admitted instead of giving a 15 per cent nominal increase and hoping that prices will rise over 20 per cent. These may be more suitable indices than the retail price one for particular purposes. But while inflation persists, indexation is dishonesty.

In short, my New Year Resolution for the Cabinet would be to drop its anti-indexation campaign and start another one for honest and open government as the only hope for getting our public finances right—and for more important things as well.

Samuel Brittan

Letters to the Editor

EEC regional fund quotas

From Mr. J. Taylor, MEP

Sir—The Government must be congratulated for its veto at last month's EEC Council Ministers' meeting of the Commission proposals for distribution of the new non-quota section of the regional fund.

In the existing quota scheme the United Kingdom is allocated 27 per cent of the available funds and it had been hoped that the non-quota scheme would have been used to increase the allocations to the poorer member nations of the Community. Instead, the distribution of the non-quota scheme actually gives the United Kingdom less than 27 per cent and increases payments to richer nations such as France.

Another aspect of the non-quota scheme which requires the urgent attention of the Government before the scheme is presented once again to the Council of Ministers for approval is that section for the development of tourism and rural craft industries in the border regions between the United Kingdom and the Republic of Ireland. In the Republic all five counties along the border are to be aided by £10m whereas in the United Kingdom there will be a different basis of aid distribution. Instead of all four counties along the border being aided it will only be specially selected districts within these four counties which will qualify. Likewise the amount allocated to the UK border counties is to be only half of that allocated to the Republic of Ireland border counties.

As a member of the European Parliament's regional policy committee I inquired why there was not to be £10m allocated to the UK as was being given to the Republic and I was told that this would be impossible as it would increase the UK's total allocation from the non-quota scheme to over 27 per cent. In other words, an unofficial quota scheme is being operated for the non-quota scheme.

Likewise when I queried the proposal not to aid border counties in their entirety in the north as was the basis of aid in the south of Ireland I discovered that this was an earlier private arrangement between the former Dublin Government and the then NI Secretary of State, Rt. Hon. Roy Mason, MP. The net result of this arrangement is that the cross-border scheme in the United Kingdom is to be restricted to seven districts within the four border counties. Of these seven districts six have anti-British majorities. The remaining five districts in these four border counties are all to be excluded: all five have pro-British majorities.

The implication that tourist development should be restricted to areas such as Carrickmore, or the Bogside is discrimination at its worst and is exactly why Ulster Unionists suspect NI Office talks about an Irish dimension or cross-border co-operation. I hope that the Conservative and Unionist Government will revise this scheme before it comes before the Council of Ministers in Brussels early this year. Conservatives should ensure that funds are distributed in Ulster with impartiality. John Taylor, Millinure, Armagh, Northern Ireland.

Selling to tourists

From the Chairman, British Tourist Authority.

Sir—In Michael Cassell's article, December 22, "Oxford Street's boom years at an end," he rightly refers to the great importance to London stores of our overseas visitors, but in his view "one of the most buoyant periods in Oxford Street's recent history is at an end."

Need it be? The British Tourist Authority, within its strained financial resources does its best to promote overseas, the attractiveness to visitors of what Britain, and London in particular, has to offer in shopping here—and we do still offer good value for money. Much more could and should be done to emphasise this, but retailers and manufacturers alike must do their bit too.

The trade, with some honourable and important exceptions, does not do enough to promote itself abroad. Time is already short if we are not to be too late for 1980.

Sir Henry Marking, British Tourist Authority, Queen's House, 64 St. James's Street, SW1.

The water industry

From the Chairman, Thames Water Authority.

Sir—The headline to John Lloyd's report in your issue of December 20, and the confusion in the report between the water industry and the instrument manufacturing industry, were unfortunately misleading. The "higher standards" referred to are being urged not upon the water industry but upon the instrument manufacturers. Britain's water industry is second to none in the world in its pursuit of exacting standards in water supply and wastewater disposal. Further, within the severe financial constraints now put upon us, we in Thames have a good record in taking advantage of modern process control systems.

I agree with Mr. Lloyd and the Department of Industry that there is increasing doubt as to future British capability in the production and maintenance of automated control systems for use in the water industry. This is greatly to be regretted because we would obviously much prefer to buy British in our further application of our processing technology. Geoffrey Edwards, Members' Room, Thames Water, New River Head, Rosebery Avenue, EC1.

Bicycles on trains

From Mr. R. P. Dore

Sir—I hope that, in his narrow conception of the objectives of British Rail, Mr. Haydon (December 29) is not typical of BR's top management. The free cycle scheme, he says, was to promote "optional and leisure travel by cyclists"—i.e., to drum up more business and improve BR's internal rate of return. No mention of the social objective of generally promoting the use of cycles in a country which has (however, half-heartedly) accepted energy conservation as a national objective.

But what does BR mean when it calls its Government subsidy the "contract price" it receives for operating railways

on behalf of the national community, if not that it runs them in accordance with the community's purposes? And in its struggle to survive against road transport, which of our national purposes should it have more interest in stressing than energy conservation?

Clearly, the cycle business can't be left to the Passenger Manager (Marketing). The problems Mr. Haydon lists are doubtless real, but there are other ways of tackling them than simply banning bikes. R. P. Dore, 157, Surrenden Road, Brighton.

Accommodating passengers

From Mr. L. Chatterton.

Sir—If Mr. Haydon, British Rail's Passenger Manager (Marketing), is really serious about BR's role as a "mass mover of people" (December 29), then can I suggest that in addition to cyclists he also bans from peak hour trains the disabled, people with heavy baggage and sulcases, the unfit and the excessive drinkers? I can think of ways in which all of these groups can delay the loading and unloading of trains, as well as causing conflict on platforms, staircases and barriers, behaviour which Mr. Haydon attributes to inconsiderate cyclists. Perhaps we can have some figures on the delays which these groups cause, along with the delays which are BR's own responsibility, so that at least we can see how guilty cyclists really are.

Don't BR, when it introduced its scheme to convey cycles by train, did not expect it to be used by commuters, but this lack of foresight is no reason for the blanket ban proposed. Why not first, for instance, try making it clear that riding on concourses and platforms is just as inconsiderate and dangerous as opening doors before the train stops, or subject to the same penalty as improper use of the communication cord? Why not designate the more lightly loaded trains either side of the peak as for use by cyclists? And why not ease the loading problem by making known in which parts of the train cycles will be conveyed?—after all, on trains which serve stations with short platforms BR advises passengers to use certain coaches only and the arrangement works well enough.

I suspect that most cyclists are just as interested as other passengers in the efficient operation of commuter trains. I suspect also that ways of accommodating them with minimum inconvenience would be found if BR really wanted to. If cyclists are not wanted and BR feels it must apply a ban then at least justify the action with facts and figures rather than mere suggestions. Trying to label bike-riding commuters as inconsiderate vandals is just not good enough! David Chatterton, 34 Derby Road, Forest Gate, London, E7.

Petrol price rises

From Mr. W. Norman Hill

Sir—As an industrialist and exporter of British products, I can see that the proposed increase in the petrol price, quite apart from any personal unwelcome, will do damage to the economy of the country.

With all the present savings in legislation, could not the Chancellor of the Exchequer give

some consideration to reducing the duty payable on petrol and diesel fuels with an obvious benefit to commercial firms and private individuals. W. Norman Hill, 31, Arley Road, Solihull.

Building at Stansted

From Mr. C. Strong

Sir—In his article (December 29) on the development of Stansted as the third London airport Michael Donne stated that housing and other facilities for a community of perhaps 250,000 would need to be provided. I would like to suggest that extensive development in the immediate vicinity of Stansted would not be necessary.

Stansted is already easily accessible by road from Harlow and parts of south Essex and north east London. If the M11 were extended southwards and the existing rail services were improved, with motorway and rail links into the airport (all of which will surely be necessary in any case), Stansted would be within easy reach for an even larger population. It would seem to me infinitely preferable to provide subsidised travel to enable people in existing built-up areas, some of which have declining employment opportunities, to work at the enlarged airport, rather than to build yet more houses on our rapidly declining stock of good agricultural land. C. N. Strong, 69, Cornhill Gardens, SW2.

Members of the bored

From Mr. Brian Maurice.

Sir—Might I suggest that the reason why management and a majority of the independent members of the Board of Directors of the Post Office have decided that the worker director experiment "was not doing any good" (December 13) has some connection with the report published by your Labour Correspondent on the same date, of the demands for "bored level representation" by employees. If this is not a Freudian slip, are we to assume that Trade Union claims as to the lacklustre leadership of British industry being at the root of the economic problems of this country, are now being given serious consideration in your columns. Brian Maurice, 17, Coedygryd Road, Griffithstown, Pontypool, Gwent.

Gainfully employed

From the Chairman, Blakeney Properties.

Sir—As there is tremendous bias expressed by the cutbacks in both national and local government services and facilities, I as a ratepayer would often wonder what is really happening and why it should appear both national and local government offices are so over-stuffed. There does not appear to be any action taken to remedy these problems.

The question I would like to ask—is it possible for an individual to have access to the files of employment by all government departments so that one can examine the job specifications of various people? To give two examples, and as always it is impossible to get absolute proof, in one area of local government I know, there

are a number of building inspectors, and these building inspectors have admitted they have only one job each, to inspect and, according to information which obviously is second-hand, they only inspect these sites once a week, so what are they doing the rest of the week? One then has to multiply the number of instances such as this and I think one can get a picture of the people who are absolutely wasting their time away being highly paid and with nothing to do. Surely this is a terrible lack of managerial control.

In another area, another specific case—this time an architect in this local government office. He claims that normally he never bothers to go out and look at sites, only when the inspectors come in to check out his work-load and what he is trying to achieve now, is to wander round sites for two or three weeks without answering any mail so that when the inspectors come along he can state he is overworked and wants assistance and obviously a very high increase in salary.

It does not really sound plausible, but apparently it is going on everywhere. I come back, therefore, to my prime point: surely there should be an inspection so that ratepayers can go and inspect all job specifications and find out what actually is happening in their areas, or nationally.

Ralph Murritt, Blakeney Properties, Blakeney Hotel, Blakeney, Norfolk.

Arbitration in Scotland

From Mr. P. Cross

Sir—I read with interest the article by A. H. Hermann (December 20) entitled "Delaying tactics threaten arbitration cases." I would draw your readers' attention to the fact that while the article sets out most clearly the situation which exists in England, here in Scot-

land matters are somewhat different. "I would particularly draw attention to the statement that 'the English Courts guard rather jealously their powers to supervise arbitration taking place in the UK.' Of course, the English Courts have no jurisdiction over arbitration in Scotland. Furthermore, it is and has been for many years possible for the parties in an arbitration conducted under Scottish Law to waive their rights of appeal to the Courts."

I would submit that in Scotland arbitration can, in fact, proceed with expedition and economy. P. F. O. Cross, 13, Park Circus, Glasgow.

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حسابات المصارف

UK COMPANY NEWS

Unsatisfied claim forces Walton into liquidation

BY ANDREW FISHER

Wilson Walton Engineering has decided that liquidation offers the only way out of its financial difficulties, which stem largely from an unsatisfied £1.6m claim for work carried out in the North Sea in 1977.

The company said that the claim, which could be subject to arbitration, had combined with the difficulty of obtaining new business and the lack of forward orders—at least hoped for a large Dutch contract—to affect liquidity to the extent that it was impossible to carry on business.

Having looked at the alternatives, it added the board arrived at a view that the company would have to proceed to liquidation. Wilson Walton's shares were suspended last week at 8p—last year's high was 37p—at its own request.

Mr. Anthony Wilson, the chairman, said last night that shareholders would be asked to vote at an EGM on January 18 in favour of the company seeking an orderly winding-up.

"We could not carry on without a substantial injection of outside capital," he commented. He said other UK and foreign interests, including some from Iran, had made approaches, "but you can't live on interest on the prospects of a deal tomorrow."

Wilson Walton, which came to the market only three years ago, had also been to the National Enterprise Board with its problems, he said. But the NEB considered that the time available was too short to consider a takeover or a financial rescue.

Mr. Wilson, whose family company Wilson Walton International (Holdings) owns nearly a quarter of the company, said the £1.6m claim was with Shell over the building of a production platform for the indefatigable gas field in the southern UK section of the North Sea.

Because of extensive design changes, the cost of the work to Wilson Walton had been greater than expected, he said. But Shell's view was that Wilson's claims were not substantiated by fact.

Altogether, the company provided nearly £1.8m in its accounts for 1978 to cover the

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not intended or final and the sub-divisions shown below are based mainly on last year's timetable.

TODAY	
Interim—Electricity, Renton, Howdon Group, KCA International, S. Paridise, F. H. Tomkins.	Jan. 7
FUTURE DATES	
Interim—Daily Mail and General Trust	Jan. 11
Final—Barr (A. G.)	Jan. 10
Interim—Investors Capital Trust	Jan. 8

claim against Shell and other losses on contract settlements. As a result, it turned in a £1.7m profit of £1.7m against a profit of nearly £300,000 the previous year.

Yearlings

The full list of this week's local authority yearling bonds, announced on Tuesday, are as follows: Wansbeck DC (£0.25m), City of Salford (£0.5m), Davenport DC (£0.25m), Borough of Eastleigh (£0.25m), Borough of Hyndburn (£0.5m), Mole Valley DC (£0.25m), North Bedfordshire BC (£0.5m), Borough of Tamworth (£0.25m), Royal Borough of Windsor and Maidenhead (£1m), Brentford DC (£0.25m), London Borough of Haringey (£1m), City of Leeds (£0.25m), South Staffordshire DC (£0.5m), Wirral BC (£0.5m), Chorley BC (£0.5m), Dudley Metropolitan BC (£0.75m), London Borough of Hillingdon (£1m) and London Borough of Hounslow (£1m).

The bonds have a coupon rate of 15 1/2 per cent, are issued at par and are due on January 7, 1981.

GRINDLAYS STEPS UP CAPITAL

The authorised capital of Grindlays Bank has been increased from £30m to £75m by the creation of 45m new £1

shares. Issued capital has been increased from £15.75m to £30m by the capitalisation of £14.25m standing to the credit of the share premium account and £25.2m from reserves.

The capital is held by Grindlays Holdings (51 per cent) and Citibank N.A. New York (49 per cent).

Further FII factory closures

DESPITE the closure of two London factories, losses have continued at Footwear Industry Investments' remaining factory units in London and Essex and it has been decided to close these as soon as possible.

By this action the workforce will be reduced by about 275 and it is envisaged that the rundown and completion of closures will be effected by the end of the financial year on May 31, 1980.

The directors report that the footwear manufacturing business in Wales is going from strength to strength and merchandising operations are doing well. Were it not for the setback in manufacturing in London and Essex, it is probable that this would have been a very good year for the company.

While the cost of the closures will affect the higher level of profit targeted for 1979/80, the elimination of these continuing loss-making units will contribute to a significant strengthening of the Group's prospects for improved future performance.

For the last full year a profit of £438,000 was reported after a second half loss of £22,000.

BOUSTEAD In a deal worth 699,000 ringgits (£143,532), Boustead Holdings Ltd has agreed to sell 30 per cent of Progress East Asia Bhd to Delta Building Products of Birmingham.

E. C. Cases goes into receivership

E.C. Cases, the Cardiff-based fencing products group which reported heavy interim losses in September, has gone into receivership.

In a statement yesterday the company said that the "deteriorating trading circumstances" of the company had reached a point where the bank considered it necessary to appoint a receiver. Lloyds Bank, which had appointed Mr. Robert Ellis of Tonche Ross.

Record profits of £427,000 were reported by the group in 1978, but there was a steady decline over the following years. In 1978 the group turned in a loss of £8,420 and in the first half of the current year losses had reached £178,000. The directors attributed this to a combination of bad weather and the industrial situation in the early

months of the year. A provision of £1.1m was made in May, 1977, against the investment in Multitex (IMC), which the group had acquired the previous June, following the appointment of a receiver to the subsidiary. Multitex had made a loss of £182,000 in the first six months since acquisition.

Mr. Yvon Milne, who took over the chairmanship when Mr. A. J. Merrett resigned in May, 1977, said yesterday that the company had found it difficult to overcome the setback caused by Multitex. This combined with high interest rates, industrial disruption, bad weather and depressed demand had brought the company to its present position.

The shares were suspended yesterday at 5p which compares with a high for 1979 of 15 1/2p.

Ex-Rivington Reed chief sells holding to BMCT

DR. JOHN BLACKBURN, the former chief executive of Rivington Vyella and Vantona, has sold his 25 per cent holding in the Rivington Reed textile group to Mr. Graham Ferguson Lacey of Birmingham and Midlands Counties Trust.

It was Mr. Ferguson Lacey who brought Dr. Blackburn into Reed two years ago, but it was announced in the middle of last month that he was to be "released from his contract" as chief executive.

Reed lost £516,000 before tax in the six months to September 29 against a previous £207,000 profit.

The sale of Dr. Blackburn's shares—the price was undis-

closed but believed to be well above yesterday's market level of 26p—brings Birmingham and Midlands' stake in Reed up to 23.3 per cent. The deal was not made through the market.

TREASURY STOCK

The Bank of England has announced that, under the terms of the prospectus dated March 6, 1978, 9 per cent Treasury convertible stock 1980 will be repaid at par on March 3, 1980.

Alternatively, at the option of holders, it may be converted, as at that date into 9 per cent conversion stock 2000 at £110 nominal of conversion stock for every £100 nominal of 9 per cent Treasury convertible stock, 1980 converted.

ARA buys Grand Met's N. Sea catering division

Grand Metropolitan, the hotels, leisure and drinks group, is pulling out of North Sea catering. It is selling Sea Hotels to ARA Offshore, the offshore catering division of ARA Food Services.

ARA claims this will make it one of the largest North Sea catering companies, with a total of nine oil installation contracts, including Ninian, Beryl, Tibetic and Forties.

The purchase also provides ARA with its first contracts on gas platforms. These are situated off the coast of East Angles and ARA plans to open an office in Great Yarmouth to service them.

Grand Met's decision to sell comes after seven years of operating in this highly competitive field. The decision was made after a review of the future potential market. Mr. David Unwin, managing director of Sea Hotels, said greater opportunities existed in concentrating resources on international activi-

ties, which included camp management and offshore services.

Mr. Philip Houldsworth, chief executive of ARA Food Services, said the acquisition was an important factor in the planned expansion of the company's offshore activities. It represented part of the company's overall development programme for the UK, which included the extension of site service activities at Sullom Voe.

In last year's annual statement, the directors of Grand Met reported that Sea Hotels continued to maintain profitability "in the competitive North Sea oil and gas platform catering market."

Apart from the North Sea, ARA's interests cover vending, industrial catering, office canteens and leisure catering. It has an annual turnover of over £25m and group profits are in excess of £1m. Of this profit ARA Offshore contributed some 20 per cent.

Sea Hotels' offshore staff will be retained by ARA.

MINING NEWS

Israel bromine expansion

BY KENNETH MARSTON, MINING EDITOR

ISRAEL'S Government-controlled Israel Chemicals, the quoted bromine company whose interests in mining and mineral processing concerns extends to spend U.S.\$260m (£117m) over the next four years on expanding.

As a result, the company expects production, reports Lore Daniel from Tel Aviv.

The emphasis will be on increased output of potash and bromine from the Dead Sea. Higher production is envisaged of bromine products and it is hoped to expand the use of bromine in fire-retarding materials.

As a result, the company expects exports to rise from \$225m during the current fiscal year to \$280m in 1980-81 and to \$600m in 1984-85 at today's prices.

These figures compare with exports of \$158m in 1978-79 of which one-third was accounted for by potash, one-third by phosphates, and the balance by bromine and fertilisers.

Already the Dead Sea bromine

group is the world's largest exporter of bromine compounds and the largest producer outside the U.S. with a yearly output of 53,000 tonnes.

This is to be doubled over the next few years. At the same time exports of potash are to be increased by 50 per cent to 1.8m tonnes annually, and those of phosphate rock to 3m tonnes a year.

Still under construction is the Rotem fertiliser plant near Arad. In the Negev, which is to go on stream in 1981. It will make phosphoric acid and sulphuric acid, as well as compound fertilisers.

When the plant is fully operational, Israel Chemicals expect to export 150,000 tonnes of phosphoric acid annually, as compared with 25,000 tonnes at present.

Most of the research for the Rotem plant was carried out by a subsidiary in Haifa, Israel Mining Industries, which also sells know-how abroad. It has developed many new processes, particularly in the field of the production of clean phosphoric acid and of potassium nitrate.

SPAIN	
January 2	212
Banco Central	220
Banco Exterior	220
Banco Hispano	220
Banco Ind. Cas.	175
Banco Madrid	220
Banco Santander	250
Banco Urquijo	190
Banco Vizcaya	212
Banco Zaragoza	305
Orzagodo	100
Española Zinc	60
Gal. Preciados	54.5
Hidroala	58.7
Petróleo	58
Petróleo	113
Sogefina	115
Unionfina	58
Union Elec.	61.2

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Devenish

Brewers—Weymouth & Radruith

Highlights from the statement of the Chairman of J. A. Devenish & Company Limited, Mr. A. E. Ledger Hill, O.B.E., D.L., for the 52 weeks ended 28th September, 1979:

* Proposed final dividend of 21.0% makes year's total 29.5% (1978—26.3%).

* Own brewed beer sales show overall increase. Substantial profit contribution from wine and spirits. Mineral sales 15% up.

* Profit contribution from retailing through managed houses considerably increased.

Group Profit before Taxation	£1,532,072	£1,370,835
Group Profit after Taxation	£930,048	£774,089
Available for Ordinary (after extraordinary items)	£1,156,533	£946,860
Total Ordinary Dividend	£271,342	£241,808
Profit retained in the Company	£872,704	£692,465
Earnings per 25p Ordinary Share	24.8p	20.7p

NEW LIFE BUSINESS

Buoyant year for Pearl

BY ERIC SHORT

SUCCESSFUL marketing of linked life savings plans and an exceptional rise in its industrial life business, were the dominant factors in a buoyant year for the Pearl Assurance Company. New annual premiums overall advanced by 27.5 per cent in 1979 from £31.5m to £40m, while single premiums were 63 per cent higher at £20.2m against £12.4m.

The company's linked life business sales last year accounted for all the single premium growth and the expansion of business in the Ordinary branch. The company's field staff were pushing this business in 1979 backed by a major TV advertising campaign. New annual premiums were over three times higher at £4.5m against £1.5m and single premiums more than doubled from £5.5m to £14.6m.

But it appears that sales of linked business were made at the expense of other forms of Ordinary life business. Sales of traditional with-profits savings contracts rose steadily from £4.4m to £4.7m, but self-employed pensions business declined by 50 per cent in 1979 from £4.8m to £2.4m. However, Pearl undertook a major TV campaign in 1978 to sell personal pensions to the self-employed which resulted in exceptionally high sales that year. The results for 1979 represent a more normal pattern and are well up on the 1977 figures.

Overall, new annual premiums in the Ordinary branch improved by 8 per cent from £14.4m to £15.6m.

In the industrial branch, new annual premiums rose by 44 per cent from £16.6m to £24.4m. There were, however, two factors of a special nature that boosted the results in this sector. The figures for 1978 were artificially low, owing to a change in accounting practice that resulted in only 49 weeks' business being taken into account. Also last year saw the change in the method of crediting tax relief on life assurance premiums which gave a one-off boost of 21 per cent to premiums. Nevertheless, there was strong underlying growth in this type of business—premiums paid weekly or four weekly and collected by agents.

SCOTTISH WIDOWS' GROUP

New premium income for the Scottish Widows' Group in 1979 was again a record, though the increase did not match that of the previous year. New annual premiums rose by 5.7 per cent from £38.7m to £40.9m and single premiums by 13 per cent from £27m to £30.5m. In 1978 new annual premiums advanced by 33 per cent.

Business, written by the society itself showed annual and

single premiums virtually unchanged at £36.1m and £7.5m respectively. Previous business rose by 7 per cent from £16.2m to £17.3m and sales of low cost mortgage repayment business held steady, even though the company is not in the mortgage top-up field.

Total subscriptions to the society's Exempt Unit Trusts were down last year from £6.9m to £5.9m. But the pensions management subsidiary, which offers investment management to

accounted for most of last year's growth with annual premiums rising 30 per cent from £3.3m to £4.3m. Executive pension business was extremely buoyant while individual life business improved by 5 per cent from £9.8m to £10.3m.

The company recorded an increase in with-profits savings contracts, but a slight fall in low cost endowments repayments, the mortgage repayments in the top-up mortgage market.

Regular premium self-employed pension business remained static in 1979. Annual premiums from the linked life subsidiary amounted to £400,000.

However, single premium business last year declined by 5.7 per cent from £10.6m to £10m, the whole of this fall coming from linked life business. This amounted to £5.4m—the first full year of operation of linked life business. Other traditional single premium business remained static last year.

New sums assured were 17 per cent higher at £300m but annuities declined slightly to £29.1m.

SCOTTISH PROVIDENT

AN INCREASE of 20 per cent in new annual premiums, from £12.9m to £15.7m, is reported by The Scottish Provident Institution for 1979, compared with a rise of 31 per cent in 1978.

Premiums on ordinary life business were 10 per cent higher at £25.9m against £23.4m, and most of this growth came from low cost mortgage related contracts, even though the company has a relatively small involvement in the top-up mortgage field. However, the 1978 level of business for self-employed annual premium business and small pension schemes was not fully maintained last year.

Group pension scheme business remained buoyant in 1979 with new annual premiums advancing 28 per cent from £8.8m to £11.3m. This increase was lower than that achieved in the previous year, business in 1978 was exceptional owing to the introduction of the new State pension scheme. The expansion of pension business in 1979 came from a natural increase in existing schemes, from new entrants and from higher benefit levels due to inflation.

Single premiums in 1979 were 18 per cent higher at £7.6m compared with £6.45m, with self-employed pension business being extremely buoyant in contrast to annual premium business in this sector. Net new sums assured were up 11 per cent at £535m and new annuities 30 per cent to £38.6m.

SUN ALLIANCE

Sun Alliance Insurance Group reports a 15 per cent rise in new annual premiums in 1979 from £15.1m to £17.3m—half the increase recorded for 1978. Group pension business

pension schemes on a unitised basis, again showed strong growth. New annual premiums improved by 18 per cent to £14.8m and single premiums by 35 per cent to £17.1m.

New issues lower in 1979

STATISTICS COMPILED by the Midland Bank show that the total of "new money" raised in the UK in 1979 by the issue of marketable securities (excluding borrowing by the British Government) declined for the second consecutive year to £967.2m, representing a decrease of £55m on the previous year and the lowest annual total since 1974.

In December the amount raised was £106m, the highest monthly total since June and a significant increase on the £15.7m raised in November. The bulk of the month's total was accounted for by eight company issues amounting to £104m.

A total of £101.5m of this sum was by way of rights, with significant issues coming from Pilkington Brothers (£62.3m), Hammonds Property (£36.9m) and Wearwell (£2.1m). The remainder comprised three issues made by way of offers for sale, including two issues by water companies. Public holidays share of the total was only £2m and converted shares £1m.

In contrast to the overall trend in the new issue market, the total raised by companies rose by £222.6m, or by one-third, over 1978. The £285.1m raised by companies in the year accounted for over 91 per cent of the total sum raised, compared with the 86 per cent share achieved by companies in 1978. The number of companies making issues, however, fell by 16 to 121 resulting in a rise in the average size of issues from £4.6m to £7.3m.

Issues by way of rights were the predominant method of fund-raising and represented

the largest proportion for at least six years, accounting for £809.1m or 81 per cent of the total. Companies making significant issues by way of rights apart from those already mentioned included Grand Metropolitan (£80.6m), Standard Chartered Bank (£78.6m), Rank Organisation (£54.7m), Thomas Tilling (£39.3m), MEPC (£37.6m) and UDS Group (£35.5m).

An analysis of the company total by business of borrower again shows the financial group dominating the year's activity, with a total of £242.6m, an increase of £22.9m on the previous year. The total included the Standard Chartered Bank's issue made at the time of its acquisition of Union Bankcorp and a £25m convertible debt issue by Slough Estates, the first major issue in this form for about three years.

The capital goods group took over from the miscellaneous manufacturing sector as the second largest fund-raising category with a total of £221.3m, more than double the total for 1978. The miscellaneous manufacturing group, nevertheless, increased its total by £14.6m to

£208.5m. Of the six new companies which came to the market during the year two, Mercantile House and Haynes Publishing, raised "new money" simultaneously. All six floatations were oversubscribed.

More than 4 per cent of the total of all new money raised, double the proportion for 1978, was specifically earmarked for use overseas. The £44.4m raised for this purpose included a £30.2m rights issue made by Cement Roadstone of Ireland.

Ordinary shares continued to dominate company issues, accounting for 59 per cent of the total sum raised, while preference share issues represented 3.9 per cent. There was a revival in fixed-interest debt issues after the exceptionally low level of activity in the previous year—the total raised advancing from £8.8m to £31.4m, or from 1.3 to 6.9 per cent. Convertible debt issues raised £26.8m, while all other forms of debt amounted to £34.6m.

Only £82.1m, or 8 per cent of the year's total new money was attributable to public bodies. See Lex

Bass LIMITED

Extracts from the Statement by the Chairman, Mr. Derek Palmer

In the year to 30th September 1979, sales volumes of all products and services increased significantly over the previous year. Profits before taxation have not shown the same improvement; this is due mainly to the delay imposed on our proposed price increase in January 1979 by the Price Commission investigation.

Since the introduction of the self-financing productivity schemes in November 1977, we have had far fewer stoppages, indeed apart from one unfortunate local stoppage of 20 days, there has been nothing of more than token interference with production and distribution. This is a great improvement over earlier years. We must continue this excellent progress in the interests of employees, customers and shareholders alike.

In furtherance of this policy, we are proposing to introduce a share ownership scheme for employees under the provisions of the Finance Act 1978, which gives tax benefits both to recipients and to the Company. The purpose of introducing this scheme is to give all United Kingdom full-time employees who have worked for more than three years in Bass an opportunity to share in the progress of the Company year by year. Our aim is to establish a happy team working together towards the single purpose of maintaining a successful company for the benefit of all involved.

It is the Board's intention that shareholders should receive dividends growing in line with earnings in real terms.

The Group's 1979 results in brief		
	52 weeks 1979	53 weeks 1978
Sales to customers	£1,134.3m	£1,014.4m
Trading profit	£124.9m	£116.8m
Profit before taxation	£111.8m*	£105.5m
Retained for reinvestment		
in the business	£66.6m	£62.1m
Earnings per share	31.8p	28.4p
Dividend per share	7.8p	8.1p

*After providing £1.5m for proposed Employee Share Ownership Scheme

*After providing £3.4m for proposed Employee Share Ownership Scheme

The objective of the Board is to maintain steady dividend growth over the years rather than to reflect short-term earnings fluctuations. For the year to 30th September 1979 the level of recommended dividend has been calculated independently of that of the previous year to provide a satisfactory reward for shareholders while retaining sufficient to allow the generation of future earnings for a continuing real growth in dividends. The increase proposed reflects the ending of dividend restrictions.

The Company has one of the strongest portfolios of leading brands in the beer, wines and spirits and soft drinks industry. Despite this we think it is vitally important for us to lead in developing new products and in launching new brands to satisfy consumer demands. In recent years the Company has become increasingly active in this field of innovation.

We have continued our established policy of investing our cash flow and in addition we have used some of our borrowing facilities towards capital expenditure of £111m. In the current year to 30th September 1980, we intend to continue to expand in all areas of the business and to this end we have authorised capital expenditure of £136m.

The current year has started well and we have enjoyed a period of fair weather in the autumn which has helped sales. Costs, however, continue to rise and adjustment of our prices in the early part of 1980 will be inevitable. We are hopeful of further progress this year, in spite of the difficult economic conditions ahead.

If you would like to receive a copy of the Bass 1979 Annual Review, and are not a shareholder, please complete this coupon and return it to: Mr. M. F. Quaranta, The Secretary, Bass Ltd., 30 Portland Place, London W1.

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Dollar weak

The dollar lost ground against most currencies yesterday, with the current uncertainty over events in Iran and Afghanistan undermining confidence. The U.S. unit was also affected by gold's sharp rise, and central banks probably gave support during the day. Against the D-mark it fell to DM 1.7130, barely above the day's low of DM 1.7110 and sharply weaker than Monday's close of DM 1.7250. Similarly against the Swiss franc it fell to SwFr 1.5770 from SwFr 1.5950 and finished lower in terms of the Japanese yen at ¥235.40 against ¥238.75. On Bank of England figures, its trade weighted index fell to 84.6 from 85.0.

After a weaker start sterling rose against most currencies to finish at its best level. Fears over a prolonged strike by steel workers saw the pound fall from an opening level of \$2.2955-2.2920 to a low of \$2.2165-2.2175, but by noon it had recovered to around \$2.2265, and touched a best level of \$2.2435 in the late afternoon, before closing at \$2.2415-2.2425, a rise of 2.3 pips from Monday. In later trading New York sterling continued to improve maintaining a level of over \$2.2400.

The pound's recovery during the day was reflected in its trade weighted index, which showed an opening calculation of 84.8. It rose to 70.0 at noon and finished at 70.2, unchanged from Monday.

FRANKFURT—The dollar fell to its second lowest level ever yesterday to DM 1.7145, sharply lower than Monday's level of DM 1.7315. Fears over Russian troops in Afghanistan and a sharp rise in the gold price prompted the Bundesbank to buy \$24.5m at the fixing, and further \$125m outside the fixing.

Trading was still at a relatively low level after the New Year, with dealers suggesting that the dollar could possibly be stronger on favourable economic factors but for the present unrest in the Middle East.

MILAN—Unrest in the Middle East saw the dollar fall to a three-month low against the lira at yesterday's fixing to L801.20, compared with L804.05 on Monday. Against EMS currencies the lira was weaker overall with the D-mark rising to L467.35 from L465.25 and the Irish punt at L1.725 from L1.727. The Dutch guilder was fractionally firmer at L424.05 against L424.0, while the French franc eased to L199.70 from L199.93.

PARIS—The French franc remained the most improved currency within the EMS, but lost a little ground overall. Against the D-mark it was weaker, with the latter rising to FF 2.3418 at the fixing from FF 2.3370 on Monday, and the Belgian franc firmer at FF 14.42 per FF 100 compared with FF 14.3680 on Monday. Outside the EMS sterling fell to FF 8.9475 from FF 8.9625, and the dollar was weaker at FF 4.0135 against FF 4.0200.

COPENHAGEN—The Danish krone showed mixed changes against its EMS partners, but rose against the dollar and sterling. The D-mark rose to Dkr 3.1110 from Dkr 3.0995 while the French franc slipped at the fixing to Dkr 1.3207 from Dkr 1.3365. The Belgian franc gained marginally to Dkr 19.14 from Dkr 19.13 per Bfr 100 and the Dutch guilder was unchanged at Dkr 2.8245. The dollar fell to Dkr 5.3580 compared with Dkr 5.3685 and sterling was lower at Dkr 11.8770 against Dkr 11.8970.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts from January 2	% change from central rate	% change adjusted for divergence	Divergence
Belgian Franc	36.3637	40.312	+1.12	+1.12	+1.12
Dutch Guilder	7.72336	7.7243	+0.01	+0.01	+0.01
German D-Mark	2.48368	2.48211	-0.01	-0.01	-0.01
French Franc	5.47560	5.47133	-0.01	-0.01	-0.01
Dutch Guilder	2.73522	2.73402	-0.01	-0.01	-0.01
Irish Punt	0.688201	0.67402	-0.01	-0.01	-0.01
Italian Lira	1157.79	1159.31	+0.13	+0.13	+0.13

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

	Jan. 2	Pound Sterling	U.S. Dollar	Deutsche Mark	Japanese Yen	French Franc	Swiss Franc	Dutch Guilder	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.0000		2.942	3.540	161.2	4.930	1.794	2.610	62.40		
U.S. Dollar	0.446		1.000	1.125	35.4	0.335	0.274	0.336	8.33		
Deutsche Mark	0.260	0.584	0.884	1.000	23.8	0.781	0.633	0.781	19.36		
Japanese Yen	1,000	2,812	3,608	27.7	100.0	34.9	29.0	34.9	1,000.0		
French Franc	1,112	2,494	3,471	18.6	100.0	100.0	66.7	66.7	100.0		
Swiss Franc	0.263	0.589	0.890	1.259	29.7	2.190	0.894	1.000	48.1		
Dutch Guilder	0.256	0.557	0.850	1.250	29.7	2.190	0.894	1.000	48.1		
Italian Lira	0.256	0.557	0.850	1.250	29.7	2.190	0.894	1.000	48.1		
Canada Dollar	0.263	0.589	0.890	1.259	29.7	2.190	0.894	1.000	48.1		
Belgian Franc	1,000	2,812	3,608	27.7	100.0	34.9	29.0	34.9	1,000.0		

EURO-CURRENCY INTEREST RATES

The following nominal rates were quoted for London dollar certificates of deposit one month 13.95-14.05 per cent three months 13.95-14.05 per cent six months 13.95-14.05 per cent one year 13.00-13.10 per cent.

	Jan. 2	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Asian \$	Japanese Yen
Short term	17.17%	13.14%	12.14%	10.14%	10.14%	13.14%	7.14%	13.14%	13.14%	13.14%	4.14%
7 days notice	16.14%	12.14%	11.14%	9.14%	9.14%	12.14%	6.14%	12.14%	12.14%	12.14%	3.14%
One month	15.14%	11.14%	10.14%	8.14%	8.14%	11.14%	5.14%	11.14%	11.14%	11.14%	2.14%
Three months	14.14%	10.14%	9.14%	7.14%	7.14%	10.14%	4.14%	10.14%	10.14%	10.14%	1.14%
Six months	13.14%	9.14%	8.14%	6.14%	6.14%	9.14%	3.14%	9.14%	9.14%	9.14%	0.14%
One year	12.14%	8.14%	7.14%	5.14%	5.14%	8.14%	2.14%	8.14%	8.14%	8.14%	0.14%

Long-term Eurodollar two years 11.14-12.14 per cent three years 11.14-12.14 per cent four years 11.14-12.14 per cent five years 11.14-12.14 per cent nominal closing rates. Short-term rates are call for sterling, U.S. dollars and Canadian dollars, two-day call for guilders and Swiss francs. Asian rates are closing rates in Singapore.

INTERNATIONAL MONEY MARKET

German rates fall

Call money fell sharply in Frankfurt yesterday, following a general easing of conditions, and was quoted at 8.10-8.30 per cent compared with 10-12 per cent on Monday. The easing at the end of the year led to heavy demand for day-to-day money during the last few days of 1979. With the beginning of the new year term rates have also declined, particularly in the shorter periods. One-month money fell to 8.20-8.50 per cent; three-month to 8.50-8.70 per cent; six-month to 8.70-9.00 per cent; and one-year to 8.80-9.10 per cent. There will be no press conference following today's Bundesbank council meeting—the first to be presided over by Herr Karl Otto Poehl as president of the central bank—normally a reliable indication that credit and monetary policy will be unchanged.

PARIS—Call money remained at 12.14 per cent, unchanged from last Friday, when day-to-day funds rose to the highest level since November 19, 1974. Period rates were firmer than the latter part of last week, with one-month funds rising to 12.14 per cent; three-month to 12.14 per cent; six-month to 12.14 per cent; and one-year to 12.14 per cent. Deposit rates for BRUSSELS—deposits for the Belgian franc (commercial) were generally firmer, with one-month rising to 14.14 per cent

from 14.14 per cent. Three-month was quoted at 14.14 per cent compared with 14.14 per cent, while six-month increased to 14.14 per cent from 14.14 per cent and one-year to 14.14 per cent from 13.14 per cent.

AMSTERDAM—Call money was quoted at 10.11 per cent compared with 10.11 per cent, while term rates were easier. One-month money fell to 11.12 per cent from 12.13 per cent; three-month to 12.12 per cent from 12.13 per cent; six-month to 12.12 per cent from 12.13 per cent; and one-year to 12.12 per cent from 12.13 per cent.

SINGAPORE—Overseas Union Bank yesterday became the last of the big four Singapore based banks to raise its prime rate during the current round. It joins The Development Bank of Singapore and United Overseas Bank on 9 per cent, an increase of 1 per cent. Overseas Chinese Banking Corporation recently increased its prime rate to 9 per cent, to maintain the traditional 1 per cent differential with the other three major banks.

UK MONEY MARKET

Adequate credit

LONDON MONEY MARKET

	Jan. 2 1980	Sterling Certificate of Deposit	Interbank	Local Authority	Local Authority	Finance	Discount	Company	Treasury	Eligible	Bank	Trade
Overnight	15.14%	15.14%	15.14%	15.14%	15.14%	15.14%	15.14%	15.14%	15.14%	15.14%	15.14%	15.14%
2 days notice	15.14%	15.14%	15.14%	15.14%	15.14%	15.14%	15.14%	15.14%	15.14%	15.14%	15.14%	15.14%
7 days notice	15.14%	15.14%	15.14%	15.14%	15.14%	15.14%	15.14%	15.14%	15.14%	15.14%	15.14%	15.14%
One month	15.14%	15.14%	15.14%	15.14%	15.14%	15.14%	15.14%	15.14%	15.14%	15.14%	15.14%	15.14%
Three months	15.14%	15.14%	15.14%	15.14%	15.14%	15.14%	15.14%	15.14%	15.14%	15.14%	15.14%	15.14%
Six months	15.14%	15.14%	15.14%	15.14%	15.14%	15.14%	15.14%	15.14%	15.14%	15.14%	15.14%	15.14%
One year	15.14%	15.14%	15.14%	15.14%	15.14%	15.14%	15.14%	15.14%	15.14%	15.14%	15.14%	15.14%
Two years	15.14%	15.14%	15.14%	15.14%	15.14%	15.14%	15.14%	15.14%	15.14%	15.14%	15.14%	15.14%

Local authorities and finance houses seven days' notice others seven days fixed. "Long-term local authority mortgage rates nominally three years 15.14-15.14 per cent; four years 15.14-15.14 per cent; five years 15.14-15.14 per cent. Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 15.14-15.14 per cent; four-month trade bills 15.14 per cent.

Approximate selling rates for one-month Treasury bills 15.14 per cent; two-month 15.14 per cent; three-month 15.14 per cent. Approximate rates for one-month bills 17.14 per cent; two-month 15.14 per cent; three-month 15.14 per cent; four-month 15.14 per cent; five-month 15.14 per cent; six-month 15.14 per cent; seven-month 15.14 per cent; eight-month 15.14 per cent; nine-month 15.14 per cent; one year 15.14 per cent. Finance House Base Rates (published by the Finance House Association) 17 per cent. January 1, 1980. Clearing Bank Deposit Rates for term at seven days' notice 15.14 per cent. Clearing Bank Rates for lending 17 per cent. Treasury Bill: Average tender rates of discount 15.84 per cent.

THE POUND SPOT AND FORWARD

	Day's Spread	Close	One month	% Three months	% p.a.
Jan. 2	2.2165-2.2435	2.2415-2.2425	0.70-0.80 pm	3.48	1.80-1.90 pm
U.S.	2.2165-2.2435	2.2415-2.2425	0.70-0.80 pm	3.48	1.80-1.90 pm
Canada	2.2165-2.2435	2.2415-2.2425	0.70-0.80 pm	3.48	1.80-1.90 pm
Netherlands	2.2165-2.2435	2.2415-2.2425	0.70-0.80 pm	3.48	1.80-1.90 pm
Belgium	2.2165-2.2435	2.2415-2.2425	0.70-0.80 pm	3.48	1.80-1.90 pm
Denmark	2.2165-2.2435	2.2415-2.2425	0.70-0.80 pm	3.48	1.80-1.90 pm
Ireland	2.2165-2.2435	2.2415-2.2425	0.70-0.80 pm	3.48	1.80-1.90 pm
W. Ger.	2.2165-2.2435	2.2415-2.2425	0.70-0.80 pm	3.48	1.80-1.90 pm
Portugal	2.2165-2.2435	2.2415-2.2425	0.70-0.80 pm	3.48	1.80-1.90 pm
Spain	2.2165-2.2435	2.2415-2.2425	0.70-0.80 pm	3.48	1.80-1.90 pm
Italy	2.2165-2.2435	2.2415-2.2425	0.70-0.80 pm	3.48	1.80-1.90 pm
Norway	2.2165-2.2435	2.2415-2.2425	0.70-0.80 pm	3.48	1.80-1.90 pm
France	2.2165-2.2435	2.2415-2.2425	0.70-0.80 pm	3.48	1.80-1.90 pm
Sweden	2.2165-2.2435	2.2415-2.2425	0.70-0.80 pm	3.48	1.80-1.90 pm
Japan	2.2165-2.2435	2.2415-2.2425	0.70-0.80 pm	3.48	1.80-1.90 pm
Austria	2.2165-2.2435	2.2415-2.2425	0.70-0.80 pm	3.48	1.80-1.90 pm
Switzerland	2.2165-2.2435	2.2415-2.2425	0.70-0.80 pm	3.48	1.80-1.90 pm

Belgian rate for convertible francs. Financial franc 84.45-84.55. Six-month forward dollar 2.80-2.70 pm. 12-month 4.90-4.85 pm.

THE DOLLAR SPOT AND FORWARD

	Day's Spread	Close	One month	% Three months	% p.a.
Jan. 2	2.2165-2.2435	2.2415-2.2425	0.70-0.80 pm	3.48	1.80-1.90 pm
U.K.	2.2165-2.2435	2.2415-2.2425	0.70-0.80 pm	3.48	1.80-1.90 pm
Ireland	2.2165-2.2435	2.2415-2.2425	0.70-0.80 pm	3.48	1.80-1.90 pm
Canada	2.2165-2.2435	2.2415-2.2425	0.70-0.80 pm	3.48	1.80-1.90 pm
Netherlands	2.2165-2.2435	2.2415-2.2425	0.70-0.80 pm	3.48	1.80-1.90 pm
Belgium	2.2165-2.2435	2.2415-2.2425	0.70-0.80 pm	3.48	1.80-1.90 pm
Denmark	2.2165-2.2435	2.2415-2.2425	0.70-0.80 pm	3.48	1.80-1.90 pm
W. Ger.	2.2165-2.2435	2.2415-2.2425	0.70-0.80 pm	3.48	1.80-1.90 pm
Portugal	2.2165-2.2435	2.2415-2.2425	0.70-0.80 pm	3.48	1.80-1.90 pm
Spain	2.2165-2.2435	2.2415-2.2425	0.70-0.80 pm	3.48	1.80-1.90 pm
Italy	2.2165-2.2435	2.2415-2.2425	0.70-0.80 pm	3.48	1.80-1.90 pm
Norway	2.2165-2.2435	2.2415-2.2425	0.70-0.80 pm	3.48	1.80-1.90 pm
France	2.2165-2.2435	2.2415-2.2425	0.70-0.80 pm	3.48	1.80-1.90 pm
Sweden	2.2165-2.2435	2.2415-2.2425	0.70-0.80 pm	3.48	1.80-1.90 pm
Japan	2.2165-2.2435	2.2415-2.2425	0.70-0.80 pm	3.48	1.80-1.90 pm
Austria	2.2165-2.2435	2.2415-2.2425	0.70-0.80 pm	3.48	1.80-1.90 pm
Switzerland	2.2165-2.2435	2.2415-2.2425	0.70-0.80 pm	3.48	1.80-1.90 pm

UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

CURRENCY RATES

	Dec. 26	Bank rate	Special Drawing Rights	European Unit	Jan. 2	Bank of England	Morgan Guaranty
Sterling	17	0.501156	0.448808	1.00	70.2	84.5	84.5
U.S. \$	12	1.51350	1.44228	1.00	81.0	100.0	100.0
Canada \$	14	1.25225	1.19330	1.00	116.7	133.0	133.0
Australia \$	54	1.32258	1.25998	1.00	110.0	128.0	128.0
Belgium F	104	36.2992	34.5668	1.00	204.8	204.8	204.8
Denmark K	6	2.27145	2.14897	1.00	136.5	136.5	136.5
D-Mark	5	2.37145	2.24897	1.00	56.2	56.2	56.2
Guilder	916	5.95997	5.50468	1.00	118.0	118.0	118.0
Lira	15	1.09034	1.05034	1.00	204.8	204.8	204.8
Yen	6	5.16866	4.94091	1.00	118.0	118.0	118.0
Norway Kr.	8	87.2042	82.4091	1.00	118.0	118.0	118.0
Spanish Ptas.	8	164.662	155.087	1.00	118.0	118.0	118.0
Swedish Kr.	2	1.20401	1.15015	1.00	118.0	118.0	118.0

Based on trade weighted changes from Wednesday agreement December 1979 (Bank of England Index=100).

OTHER MARKETS

Jan. 2	£	\$	Note Rates	
Argentina Pesos	5594-5614	1608-1610	Austria	87.50-87.70
Australia Dollars	2.0088-3.0135	0.8020-0.8255	Belgium	116.00-116.50
Brazil Cruzado	94.01-95.01	41.55-42.55	Denmark	110.00-111.00
France Francs	8.27-8.28	8.24-8.25	France	8.94-9.00
Germany Marks	3.47-3.48	3.44-3.45	Germany	5.81-5.82
Hong Kong Dollars	10.87-10.88	4.2250-4.2250	Italy	117.00-118.00
India Rupees	16.50-16.51	0.72-0.73	Japan	530-565
Kuwait Dinars (KD)	0.65-0.66	0.72-0.73	Netherlands	4.20-4.45
Luxembourg Francs	32.55-32.56	87.84-87.85	Norway	116.00-117.00
Malaysia Ringgits	1.3225-1.3261	8.775-8.7795	Portugal	100-117
New Zealand Dols	5.2580-5.2590	0.1310-0.1350	Spain	168-174
Saudi Arab. Riyal	7.48-7.52	1.0590-2.7000	Switzerland	5.51-5.52
Singapore Dollars	4.7575-7.7575	2.1500-4.10	United States	2.48-2.54
Stn. African Rand	1.8710-1.8410	0.8280-0.8285	Yugoslavia	ASB-81.1

Chasing the money down south—125 years on

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INTL. COMPANIES & FINANCE

Nampak in cash offer for control of Premier Paper

BY JIM JONES IN JOHANNESBURG

FOLLOWING BETTER than expected results for the year to end September, 1979, Nampak, the 35 per cent-owned paper and packaging subsidiary of Barlows, plans to further increase its penetration of the highly competitive South African paper products market.

Nampak plans to acquire majority control of the paper manufacturing and distribution company, Premier Paper, provided the Premier board agrees to the sale of its 19 per cent investment in Hunyani Paper and Paper Industries to its 60 per cent controlling parent African Finance Corporation for

R2.07m cash, payable in South Africa.

Once that arrangement is complete, Nampak with a turnover of R240m, is to offer 700 cents per share cash for 51 per cent of Premier's ordinary shares, and 196 cents cash for 51 per cent of Premier's 11.3 per cent convertible cumulative preference shares. That is equivalent to a R7.2m price tag for 51 per cent of the R24m turnover Premier Paper.

From African Finance Corporation's point of view, the purchase of Premier's 19 per cent interest in Hunyani at an effective price of 44 cents could eventually result in an im-

portant capital profit. On the Salisbury stock exchange, Hunyani shares are currently quoted at 182 Rhodesian cents, equivalent to 188 cents in South African currency. To pre-empt any objections to the sale by Premier shareholders, African Finance is to offer Hunyani shares from its own holdings to Premier shareholders at the 44 cents it will pay Premier.

African Finance has agreed to sell 51 per cent of its investment in Premier to Nampak and has guaranteed to sell sufficient additional shares to top up Nampak's eventual stake to 51 per cent should some minorities reject the offer.

Israel Discount Bank rights

BY L. DANIEL IN TEL AVIV

ISRAEL DISCOUNT BANK (IDB), which owns 82 per cent of the Israel Discount Bank, has submitted a prospectus to the securities authority covering a rights issue, an issue to the public, and an issue to its employees, designed to raise L650m (\$13.57m). The rights issue will be in the form of 889,995 units, each comprising four 'B' shares of L20 nominal value and one 'series A' option, entitling the holder to acquire one ordinary share of L20 nominal value. The offer is to

apply to holders of not only all types of shares, but also of capital notes and of options of 'series A' and 'B' and of 5 per cent 'series AA' capital notes of the bank.

The offer to the public will be of 575,000 units, of similar composition as those to current shareholders. Prices will be announced when the prospectus is published. Most of the proceeds of the issue are to be used to increase the capital of the bank.

The bank itself intends to make a rights issue to holders of ordinary 'A' shares of L10

nominal value in the proportion of one for every five ordinary or ordinary 'A' shares held.

IDB's balance-sheet total at June 30, 1979, was L171.7m, compared with L119.8m on December 31, 1978—a growth of 86.6 per cent. Its net profit in the last six months of 1979 came to L255m, against L227m in the same period of 1978. Net profit per ordinary share in the half-year to June 1979, came to L3.59 against L3.34 in the first half of 1978.

Once IDB's new issue has been placed, its capital base will reach L66m.

Cathay Organisation stake for Malaysia

BY WONG SULONG IN KUALA LUMPUR

PERMODALAN NASIONAL, second biggest shareholder in Berhad, the investment arm of the government-sponsored Bumiputera Investment Fund, has bought 30 per cent of Cathay Organisation (M), one of the biggest film distributors and cinema operators in Malaysia.

Permodalan Nasional paid 11.6m ringgit (\$5.3m) for the 5.2m shares, making it the

dominated by the Shaw Brothers and Cathay Organisation—both Chinese controlled groups—and the purchase by Permodalan Nasional now gives Malaysians a bigger voice in the industry.

Cathay Organisation (M), which has 11 subsidiaries in Malaysia, recorded sales of 30m ringgit last year, and pre-tax profits of 7m ringgit.

SWISS CANTONAL BANKS

The locals go universal

BY JOHN WICKS IN ZURICH

SWITZERLAND'S 29 cantonal banks are unfolding their wings. More and more, their clients are demanding from them full service facilities, outside the traditional mortgage and savings book operations. At the same time, the nationwide big banks are showing increasing interest in competing against the cantonal institutions for domestic business. Like it or not, the members of the Verband Schweizerischer Kantonalbanken are having to diversify

another a public foundation. Most cantons have only one cantonal bank—but Bern, Vaud and Geneva each have two. Some, but not all, are partly or come out of their federalist wholly freed from cantonal tax liability, but have to pay the cantonal return on capital stock. By the same token, the cantonal banks do not standardise services, interest rates and the like to form a centrally organised block within Swiss banking. The Basel-based Association

Switzerland's cantonal banks feel that their main duty is to serve the regional economy, but other business is expanding and the Association Verband Schweizerischer Kantonalbanken is considered a suitable instrument by which the banks can come out of their federalist reserve in the increasingly hard fight for market shares.

their activities in the direction of universal banking.

The cantonal banks have always had an important place in Switzerland's financial structure. At the end of September, their combined assets of SwFr 92,670m (\$57.92bn), or over 28 per cent of the balance sheet total for the entire reporting banking system. Nearly SwFr 50bn (\$31.25bn) was accounted for by mortgage business, while the liabilities side of the balance sheet shows about SwFr 52.7m (\$32.55bn) of some SwFr 6,500 per inhabitant in savings, deposit accounts and cash bonds.

The whole country is served by a network of 1,276 branches with a total staff of 11,700. The biggest of the cantonal institutions are among the major banks of the country in asset terms. The Zuercher Kantonalbank, for example, has a balance sheet total surpassed only by the 'Big Three' commercial banks, while four others are each bigger than Bank Leu—the fifth of the 'Big Five'.

Switzerland being Switzerland, the character of a cantonal bank tends to differ considerably from place to place. Most of them are backed by a full liability guarantee of the cantonal government—but this does not apply for four of the western Swiss institutions.

Most are 'State banks' with their capital provided by the canton—but four of them are joint stock companies in which the canton holds only part of the capital, while one is in the hands of the communes and

Verband Schweizerischer Kantonalbanken sees itself as a mini-confederation and not as a sort of 'Big Bank', said its director, Dr. Urs Rohde, at a presentation in Zurich last month. However, the members of the Verband are trying to undercut one another to win custom nor do they poach business outside their own areas. Also, Dr. Rohde points out, significantly, the body is considered a suitable instrument by which the cantonal banks can reserve in the increasingly hard fight for market shares.

Already the cantonal banks have various common institutions of their own. The oldest of these is the Issue Syndicate, formed in 1907 for public bond issues. Last year, this body participated in almost 100 domestic and foreign issues with a total value of over SwFr 5bn (\$3.12bn), some two-fifths of this volume being placed by the member banks with their clients.

The syndicate also took part in about the same number of private placements and foreign currency loans in 1978.

In 1931, the cantonal banks set up the mortgage bond centre, the so-called Pfandbriefzentrale, for the capital market issue of such paper. The proceeds of the issues, which in 1979 alone amounted to SwFr 555m (\$346.87m), are passed on to member banks who pledge part of their mortgage loans against them.

The newest departure, made necessary by the difficult mortgage rate, is the export

credit syndicate formed last year by 23 of the member banks and today having a volume of Sw Fr 600m (\$375m). This provides the service for which small banks feel the cantonal bank should be doing more.

The banks themselves, much as they realise their duty to their own canton, have to operate, profitably. Generally speaking, they are still not in a position to attract more favourable conditions than other banks—despite all individual local calls for special treatment. When an occasion where excessive solidarity was the day was shown recently by the substantial losses of the tiny Nidwaldner Kantonalbank, resulting from over-benevolent support for local loss-making companies.

Cantonal banks' main duty is to serve the regional economy, but other business, as a result, it may have to diversify. Nevertheless, such operations are definitely expanding. One future addition to the activities will be carried out by the syndicate.

In general, actual foreign exposure—currently equal to only 3 per cent of cantonal banks' assets and 2 per cent of their liabilities—will stay small, not least in view of ceilings laid down for engagements of this kind by some banks and cantonal governments. The Zurich cantonal bank and that of Bern work to what seems to be a fairly typical 5 per cent maximum balance sheet share.

As far as the corporate form of the banks is concerned, the formation of the Banque Cantonale du Jura following the recent secession of this region from Bern has led to not a little rethinking. On the advice of the Verband, the Jura Government set up the bank as a joint stock company, while all the shares are jointly held by the Canton. It is intended to offer 49 per cent of the capital to the public. The 'société anonyme' is not unknown among cantonal banks—the two Vauds institutes and that of Zug are joint stock companies—but the Jura move has sent ripples through the country.

Thus, the Government of Canton Glaris has approved in principle the issue of participation certificates (non-voting shares), a move already undertaken by one of the Geneva institutes. The Kantonalbank von Bern is considering the issue of such certificates and a number of others. Among them the Aargauische is also looking at the whole question of capital ownership. In the semi-canton of Nidwalden, the Liberal Party has just tried—albeit without success—to have the loss-ridden cantonal bank there partially denationalised.

TONGKAH HARBOUR TIN DREDGING BERHAD

(Incorporated in Malaysia)

Announcement to Shareholders

By a circular dated 7th December 1979 shareholders were advised of proposals for the reconstruction of the company, and that a special resolution to approve these proposals would be considered at an Extraordinary General Meeting on 31st December 1979.

In accordance with the general Scheme for Reconstruction the company entered into an agreement on 17th December 1979 with Tongkah Harbour Limited (THL) for the sale of its mining assets, such sale to be conditional on the approval of shareholders at the aforesaid Extraordinary General Meeting. Arrangements were also made to sign an agreement with the Thai Government on the 2nd January 1980 for the reissue of the company's leases to THL.

On the 24th December 1979, a tentative offer to purchase the company's mining assets was received from Associated Mines (Thailand) Limited (AML) with a request that the Extraordinary General Meeting be adjourned to enable shareholders to be advised of the position. This offer, although better in terms of Thai bahts, does not contain any assurance that the purchase price would be payable at an agreed exchange rate nor does it guarantee that the new proposed Thai company would be able to obtain reissue of the company's leases in the same way as THL. Several other aspects have not been clarified, such as: listing of the new company's shares, its management and mining scheme.

Having regard to the agreement concluded with THL and that about to be concluded with the Thai Government your directors after legal advice and in consultation with Bumiputra Merchant Bankers Berhad, the company's advisers in the Scheme of Reconstruction, considered that any adjournment of the Extraordinary General Meeting as proposed by AML would not be in the best interests of the company's shareholders bearing in mind that the negotiations leading up to the present agreement have been complex and lengthy and the very real possibility that any further delay could jeopardise reissue of the leases. It was felt that the new offer taken as a whole was not sufficiently attractive to justify the postponing for an indefinite period of the finalised and detailed proposals submitted at the Extraordinary General Meeting and therefore no adjournment of the meeting was sought. Shareholders at the meeting were briefed of AML's tentative offer and, as shareholders present did not seek an adjournment, the special resolution for the reconstruction of the company was duly submitted and passed.

Issued from the office of the United Kingdom Secretaries:

40 Holborn Viaduct,
London, EC1P 1AA,
2nd January, 1980.

VONTORL EUROBOND INDICES

PRICE INDEX	18.12.79	28.12.79	AVERAGE YIELD	18.12.79	28.12.79
DM Bonds	87.50	87.75	DM Bonds	8.200	7.777
U.S. Bonds & Notes	85.50	85.50	U.S. Bonds & Notes	8.500	8.000
U.S. 3 Mtn. Bonds	88.50	88.57	U.S. 3 Mtn. Bonds	11.104	11.105
Can. Dollar Bonds	88.74	89.35	Can. Dollar Bonds	11.822	11.881

Arab Hotels Company

FF 175,000,000

Construction contract

Arranged by

Banque Arabe et Internationale d'Investissement (B.A.I.I.)

And

Kuwait Real Estate Investment Consortium

For

Sheraton Hotel Sana'a (Yemen Arab Republic)

Contract awarded to

Société Auxiliaire d'Entreprises (SAE)

Financed by

Fixed Rate French Export Credit

FF 81,812,500

Floating Rate Euroloan

US \$5,000,000

Managed by

Banque Arabe et Internationale d'Investissement (B.A.I.I.)

Banque de l'Indochine et de Suez

Provided by

Banque Arabe et Internationale d'Investissement (B.A.I.I.)

Banque de l'Indochine et de Suez

Banque de l'Union Européenne

Banque Française du Commerce Extérieur

Crédit Commercial de France

Agent

Banque Arabe et Internationale d'Investissement (B.A.I.I.)

C. Cohen, 1979

\$1,200,000,000

The Federative Republic of Brazil

Medium-term Euro-dollar loan

Lead Managers:

Algemene Bank Nederland N.V.	Amsterdam-Rotterdam Bank N.V.	Banco de la Nacion Argentina	Banco do Brasil S.A. London Branch
Bank of Montreal	The Bank of Nova Scotia Group	The Bank of Tokyo, Ltd.	Banque Nationale de Paris
Canadian Imperial Bank of Commerce	Chase Merchant Banking Group	Chemical Bank International Group	Citicorp International Group
Crédit Lyonnais	European Brazilian Bank Ltd.—EUROBRAZ—	Tha Fuji Bank, Limited	IBJ International Limited
Lloyds Bank International Limited	The Long-Term Credit Bank of Japan, Limited	Midland Bank Limited	
Morgan Guaranty Trust Company of New York	Société Générale	Société Générale de Banque S.A.	
Swiss Bank Corporation		Westdeutsche Landesbank Girozentrale	

Managers:

Banco di Roma New York Branch	Banco do Estado de São Paulo S.A.—BANESPA	Banco Industrial da Venezuela, C.A. New York Agency
Nederlandsche Middenstandsbank NV		Toronto Dominion International Bank Limited

Co-Managers:

Banco Central, S.A.	Euro-Latinamerican Bank Limited—EULABANK—	Republic National Bank of New York/Trade Development Bank
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Funds Provided By:

Algemene Bank Nederland N.V.	Amsterdam-Rotterdam Bank N.V.	Banco de la Nacion Argentina	Banco do Brasil S.A. Grand Cayman Branch
Bank of Montreal	The Bank of Nova Scotia International Limited	The Bank of Tokyo, Ltd.	Banque Nationale de Paris
Canadian Imperial Bank of Commerce	The Chase Manhattan Bank, N.A.	Chemical Bank	Citicorp, N.A.
European Brazilian Bank Ltd.—EUROBRAZ—	Lloyds Bank International Limited	Morgan Guaranty Trust Company of New York	
Société Générale	Société Générale de Banque S.A.	Swiss Bank Corporation (International) Limited	
Westdeutsche Landesbank Girozentrale	Midland Bank Limited	Banco di Roma New York Branch	Banco Industrial da Venezuela, C.A. New York Agency
Tha Fuji Bank, Limited	The Industrial Bank of Japan, Limited	The Long-Term Credit Bank of Japan, Limited	Toronto Dominion Bank
Nederlandsche Middenstandsbank NV	Banco do Estado de São Paulo S.A.—BANESPA	Banco Central, S.A.	
Euro-Latinamerican Bank Limited—EULABANK—	Banco del Estado de Chile	Banco Mercantil de São Paulo S.A. New York Agency	Banca Worms
Midland Bank Trust Corporation (Jersey) Limited	Republic National Bank of New York	Saudi International Bank Al-Bank Al-Saudi Al-Islam Limited	
Texas Commerce Bank National Association	Trade Development Bank	Banco de Chile	Banco Exterior de España
Banco Nacional S.A. (Brazil)	Bank of Baroda New Delhi, Baroda	Banco Andino S.A.	Bank fuer Arbeit und Wirtschaft Aktiengesellschaft
Banque Commerciale pour l'Europe du Nord (Eurobank)	Union de Banques Arabes et Françaises—U.B.A.F.	Banco Safra S.A. Nassau Branch	

Agent:

Morgan Guaranty Trust Company of New York

This announcement appears as a matter of record only.

November 1979

Weekly net asset value on December 28 1979

Tokyo Pacific Holdings N.V.

U.S. \$66.30

Tokyo Pacific Holdings (Seaboard) N.V.

U.S. \$48.30

Listed on the Amsterdam Stock Exchange

Information: Plazs, Huisman & Plazs NV Huismanstraat 214, Amsterdam.

FINANCIAL TIMES SURVEY

Thursday January 3 1980

CAR HIRE



The basic upward movement in the market should cushion the rental companies against a full recession which may hit other consumer fields. However, it is a very crowded trade in which the household name companies hold only a small proportion of the business. Smaller and medium-sized companies still form the backbone.

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WHO HAS MORE CARS THAN GODFREY DAVIS?

NOBODY.

WHO ELSE HAS A CHARGE CARD THAT GUARANTEES YOU A CAR?

NOBODY.

WHO ELSE BUT GODFREY DAVIS HAS OFFICES ON RAILWAY STATIONS?

NOBODY.

WHO HAS MORE PLACES WHERE YOU CAN PICK UP OR DROP OFF A CAR THAN GODFREY DAVIS?

NOBODY.

Forget for a moment the flannel and flattery that car hire companies seem to indulge in.

Ask yourself which car hire company gives you a better service than Godfrey Davis—we think you'll come back with a very simple answer: Nobody.

Nobody has more cars than us. So we're more likely to have a car when you want one. Nobody has as many offices as we have all over the country—we have over 175.

So we're likely to be closer to your point of departure. And closer to where you want to drop the car off. (They don't have to be the same place).

Nobody else has facilities on railway stations. We have them actually on over 70 Inter-City stations (so you can step off the train straight into one of our cars).

NOW YOU KNOW WHO OFFERS A BETTER CAR HIRE SERVICE THAN GODFREY DAVIS.

And nobody else guarantees a car to their charge card holders or British Airways Shuttle passengers.

It's because of facts like this that we find more and more people keep coming back to us. And if you think that's just a bit of flannel on our part, do you know who's got more customers than Godfrey Davis?

You've guessed it. Nobody.

Godfrey Davis

MORE CARS. MORE OFFICES. MORE CUSTOMERS. LESS FLANNEL.

To book one of our Ford or other quality cars, ring 01-828 7700. Or consult Yellow Pages. Member of the British Vehicle Rental and Leasing Association.

CAR HIRE II

A 1980 marketing war in the making

WHATEVER ELSE 1980 holds, Hertz, Godfrey Davis and Budget, he would probably begin to run out of ideas. In fact even in that list he would be missing a few majors—the remarkable growth of Swan National recently has moved it into the big league. In fact these majors still hold a minor section of the total business both world-wide and on the British domestic scene. Smaller and medium-sized companies still form the backbone of car rental.

Objective

Underpinning the car rental business is an increasing acceptance overall of the idea that renting a car is a normal practice rather than an unusual event. As an industry its prime objective is to ensure that car rental is thought of as an essential part of the transportation system; after that it is a matter of convincing customers that cars are a superior form of transport. In Europe this has been rather more of an uphill struggle than was the case in North America. Jet-and-drive may be the norm in the U.S. but public transport is much more sophisticated on the eastern side of the Atlantic where train and taxi is the oft-used business route.

The result has been that the car rental organisation's major rival is the rail system of Europe. The significance of Godfrey Davis sewing up the British Rail system in the UK to that company's success in holding up against the massive late-60s, early-70s onslaught from the American majors cannot be underestimated. Godfrey Davis proved that Hertz and Avis, while formidable giants, were not unbeatable.

Almost universally the car rental companies see a downturn in leisure rentals in the early-80s, even the most optimistic of them are looking only for stagnation in the total market. With equal single-mindedness, therefore, the rental companies see as their main target for 1980 the business community.

From the outside it is easy to assume that car rental is dominated by the household brand names. Ask the man in the street to name a few rental companies and after Avis,

The average company can expect much greater aggression from car rental salesmen over the next year or so, proffering discounts, credit cards—and of course the most amazing service. Considerable efforts are likely in the marketplace in order to increase public awareness and confidence. Avis has already unveiled a £500,000 campaign to do just this.

Although the passion for opening new locations on prestige sites that was the fashion in the early-70s may have died somewhat under the bright light of economic reality there is still considerable interest in finding sites, once again with particular attention paid to business areas.

It is in this field that the majors will be doing their best to pick off the smaller competitors. Many garages operations successfully run a car rental side and acquire considerable local loyalty. A company which does only domestic base-to-base rentals sees no reason to turn to a glossy international operator when around the corner is a reliable company, which probably supplies the organisation's trucks and vans, sells petrol and services the directors' cars.

Regions

A few years ago that market was regarded as too difficult to break by many of the bigger companies. Now, however, attitudes are changing and attention is moving out of the big conurbations to the regions and to such locations as trading estates. "Even a fleet of six or seven cars in constant use can be enough to justify a location," says Hertz. There is some doubt whether there would be much of a rush to go that small on a widespread basis, but such are the managerial strains of rapid expansion.

All companies will be endeavouring to plan their rates in such a way as to capture particular markets without disturbing others parts of the trade. Time was when car

rental showed little sign of price sensitivity unless gaps widened too greatly. Company accountants are paying closer attention to the rate game now, even if direct comparisons of rates often needs a touch of mathematical genius. A company which is best for one-day, unlimited rental of a medium-sized car, may be expensive for a two-day short trip in a small car which is dropped off at a distant point. Choosing the best buy for a particular purpose is a task which daunts the average user, who tends instead to choose one rental company for overall performance.

Performance

This aspect of overall performance is the key to the game, and likely to be increasingly so in the early 1980s. It will require the companies to pay particular attention to two aspects of their business—staff training and fleet usage. In both cases this is due to an overall consumer habit of making a choice for negative reasons. In other words most of us have a car rental company or two from which we will not rent, but very few people I have met will ever say they will only rent from one company.

The reason for an individual blacklisting a company may be slight—an ill-tempered receptionist or a dirty car—or serious (a wheel once came off a car I rented, within 300 yards of the rental point). This message is being drummed into staff repeatedly in the current round of training sessions.

Fleet usage is, if anything, a trickier matter. If a fleet is under-used the company is in financial trouble. If it is over-used then customers who have been wooed by salespeople or advertising find they cannot get vehicles and turn somewhere else. It is a difficult business, and this is going to be a more difficult year than usual. But for us, the renters, it means a period when for once we will be—if you will forgive the expression—in the driving seat.

Arthur Sandles



The big companies are preparing to consolidate in 1980. Above: Frank A. Olson, president and chief executive of the Hertz Corporation

Franchising likely to be a main growth area

FRANCHISING seems likely to be one of the major growth areas of the car rental trade in the 1980s since it offers a relatively low-cost means of expansion as well as, arguably, achieving a higher level of management motivation.

The two main franchised car rental companies are Budget Rent-A-Car and Thrifty Rent-A-Car, although the established companies also have some franchised outlets and are increasingly considering this method of expanding their operations.

Franchising, by definition, is where a company establishes a contractual relationship with owners of separate businesses which operate under the franchisor's name in a specified manner to market the product or service.

Thus, in car rental, the franchise company offers the small businessman—the franchisee—essential know-how; equipment, materials, and local rights to a nationally-advertised trade name.

Franchisees are guided through all the stages of setting up a business and schooled in administration and financial control. They benefit from continuing guidance from the franchisor, including further training where necessary, and benefit from the national advertising and image promoted for the franchise.

Moreover, the link with a well-known franchising company may make it easier for an individual to borrow the necessary capital to start up the business.

For franchise companies as well, franchising can provide the financial resources to expand the business. Most of the capital cost, for example, is put up by the franchisee himself who may also be motivated to work harder than a company employee.

Companies which usually find such management difficult to recruit may attract to its ranks the kind of entrepreneurs who can make a business work because they have the motivation and local knowledge to make it successful.

Staff and renting costs are also far lower than if the franchisor owned and staffed his

own outlets, while the nature of the franchise contract means that the franchisees are in some measure "tied" to the company.

But while many franchisees are glad of the franchisor in the initial stages of the business venture, the degree of control from some franchisors can irritate. After all, many franchisees started out in business on their own in order to escape working for someone else. They may begin to rebel therefore at the continuing standardisation forced upon them.

Once the business is established they may also query the size of any royalty payments to the franchisor since the franchisee may feel that he could run the company better without their help.

But the franchisor is forced to retain his control over certain parts of the franchise since he is acting in the interests of all the franchisees. It is all too obvious that one branch failure can seriously affect the image of the whole franchise operation, be it car rental or fast food.

Resources

Yet, in spite of the problems of management control, franchising still remains an attractive method of expansion for companies in growth areas but without the resources to expand themselves.

The two main car rental companies which operate a franchise system are Budget and Thrifty.

Budget Rent-a-car is the second largest car-hire company in the UK in terms of number of offices and customers, and third largest car rental operation in the world. It has 140 outlets in the UK and more than 1,500 world-wide.

Budget started just over 20 years ago in Los Angeles, California. At that time major car rental companies were charging a minimum rate of \$10 a day and 10 cents a mile. Budget's strategy, as the name implies, was to offer the same service but at half the price of the larger companies.

Budget was able to do this by concentrating on local operations, thus avoiding the high

overheads of a national organisation. It also catered for the insurance market by temporarily replacing written-off or damaged cars.

Since the key to Budget's low prices was to offer the benefits of local service but with a national image, it soon became clear that a franchise operation would achieve this end. A franchisee in a certain area would be able to operate in the same way as a traditional small car-hire company—catering for the domestic car-hirer and offering lower rates because of being a local operation—but would reap the benefit of the Budget name.

Franchising also offered Budget a fast and efficient way of expanding its coverage of the market.

The first Budget office in Europe was opened in Zurich, Switzerland, in 1964, and there are now over 15 outlets in the country, including offices at Geneva and Zurich airports.

The UK was the second European market that Budget entered, initially with three offices and 31 cars, in 1966. Now Budget has 140 offices and claims to cover more towns and cities than any other vehicle rental network in the UK. It has a vehicle fleet of about 7,000 cars, vans and trucks.

In 1969, the company was taken over by the Transamerica Corporation, the U.S. conglomerate.

Budget quickly expanded in the UK until 1974 when, like all the car rental companies, it was hit by the petrol crisis. Budget subsequently switched its marketing effort to the sector of the market where it foresaw most growth: business rental.

It claims that its business rental activities have now increased dramatically as a result of this marketing switch. Normally expects the franchisees vehicles and need not already be in the motor trade. Minimum investment required by the would-be franchisee is £15,000.

The other major companies to expand via franchising in the UK is Thrifty rent-a-car. Thrifty was founded in the early 1960s in Tulsa, Oklahoma, and via the franchise system has become the fifth largest rental

company in the U.S. and Canada. But it was not until last summer, however, that Thrifty started in the UK. It now has 16 outlets and another 30 on the way.

Thrifty's present UK chairman, Mr. Jim Brown, became involved in the company when he was offered the Thrifty franchise for Gatwick Airport. Mr. Brown had established his own car rental company, called Selectcar, which was based at Bromley, Kent. Selectcar also supplies the RAC with spare kits for its members.

Mr. Brown convinced the U.S. holders of the Thrifty master franchise that he could substantially expand the UK operations and was given the opportunity in 1976.

Overheads

Thrifty, like Budget, can afford to offer lower rates than the national car-hire companies because its franchise operation means that the large overheads are reduced. Thrifty says that its rates are about 40 per cent lower than the large operations, without losing any quality of cars for hire. Over 90 per cent of Thrifty's current fleet of cars are less than seven months old.

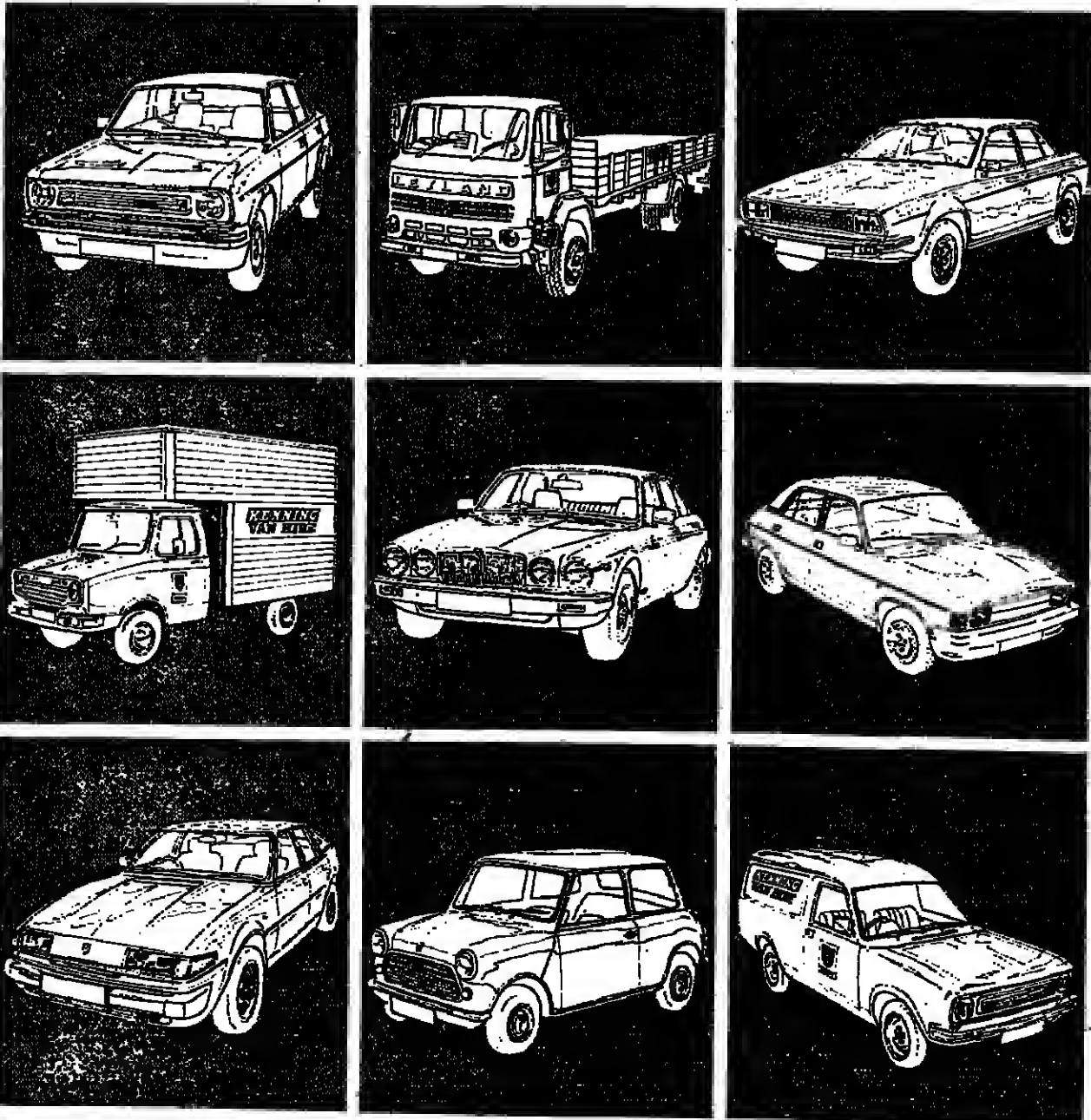
The average return on investment for a franchisee is about 34 per cent, although some who have integrated the car rental business into an existing service station or garage business have achieved a 55 per cent rate of return. In the U.S., Thrifty normally expects the franchisee to achieve a gross profit of 32 per cent.

The franchise fee depends on the potential of the territory, with £1,500 as the starting point. Franchisees pay a royalty of 5 per cent to Thrifty, 2 per cent to the international advertising fund, and 3 per cent to the UK advertising fund. The minimum investment is £12,500 which provides the deposit on a six- to eight-car fleet plus working capital and other initial fees.

Both Budget and Thrifty are members of the British Franchise Association, the body set up by the franchise industry to ensure that rogue operators are weeded out and to maintain standards of operations.

David Churchill

There's a great deal happening at Kenning Car & Van Hire



Kenning Car Hire operate a wide range of late model vehicles for hire by the day, week or month at competitive rates. One way hire facilities are available too. Kenning Car Hire man and

operate a network of depots in the UK and Ireland with associates in the USA, Canada and most European countries. Ring us next time you need to hire a car, van or truck and get a great deal more.



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Check with Yellow Pages for your local depot.

CAR HIRE III

Third contender joins the international fray

THE CAR RENTAL business is an extremely competitive one and worldwide there are two giants battling for markets. While a third contender has recently joined the fray in earnest.

The two giants are Hertz and Avis, both U.S.-owned and employing similar management styles. The third company is Budget, which, in 1960, became the franchise system it is today. Avis, for example, started as a franchise operation but discontinued the policy.

Budget Rent-a-Car, part of the Trans America Corporation, was founded in America in 1958. It opened its first European office in Switzerland in 1964. It opened in the UK in 1966 and has 140 offices in the UK and 1,500 worldwide.

Like Avis and Hertz it has a worldwide reservation system, the nerve centre of the system being a computer reservation centre in Nebraska.

Budget, which is one of the largest car hire firms in the UK with Godfrey Davis and Swan National in terms of the number of offices and customers, claims that business in this country is expanding quickly, with that of the business sector expanding by 100 per cent a year. Franchising is one method by which expansion can be achieved very rapidly.

Costs

Most of its licencees are garage dealerships, including Mann Egerton, Dutton-Porshaw and Lex. They are predominantly Vauxhall and BL dealerships and in 1979 Budget said it had a peak fleet of 7,000 cars, vans and trucks on UK roads.

Budget, which opened 14 new offices this year, said its licensing costs varied but were made up of an initial licensing fee plus a percentage royalty on turnover.

It claims that its national tariffs are lower than its competitors mainly because of its structure. Under the franchise system the individual office need not employ marketing staff, only operational workers.

National advertising and promotions are looked after by the Budget organisation which

usually acts in a managerial role.

The franchising system, it says, makes savings on overheads because most of the hire offices are within existing garages and for the same reason the vehicles are comparatively easily maintained.

Budget, however, because of the franchise system, finds it more difficult to provide some of the services offered by other companies which own their own fleets. For example, it has only recently started offering one-way rentals and these operate in a limited area.

But it aims at a similar sort of customer as do Hertz and Avis. Budget at first concentrated on the fleet rental market and only in the late 1960s, in the UK, moved into the travel agency business. Hertz has tended to concentrate more on the businessman but similarly is heavily involved in the holiday trade.

Avis, Hertz and National Car Rental are the giants in the U.S. market and internationally the first two vary little in their image. The greatest difference is in their marketing organisation.

Avis has a system whereby marketing and sales departments report locally to management in individual countries. Hertz, in contrast, has a more centralised system.

Mr. Tony Hook, UK marketing director, said: "I report to a European marketing director. We believe that as an international company a large proportion of what we do in the UK is the result of what is going on in France or America, or vice versa. Therefore, in order to have a worldwide impact, we report corporately."

Worldwide, Hertz probably has a bigger turnover but Avis has more cars on the road, and has more franchise operations. Both companies tend to buy specific models, from makers such as Ford and Vauxhall, but do buy some cars nationally for example, Renault cars in France and Fiat in Italy.

But while Hertz's top car is the Mercedes, Avis offers a luxury car fleet. Avis is in fact the UK luxury car market leader and offers a range of

services, including that of the chauffeur-driven car. Its UK £500,000-plus luxury fleet comprises of about 500 cars, excluding the Granada range.

These, despite it being a multi-branch company, are generally available in the UK only in the London area, and similarly in capital cities of its branches in Europe.

Hertz sees its market more in the middle range of luxury car customers. It used to run Daimlers but the supply of new cars was inadequate and until two years ago, when it introduced the Mercedes-Benz, its "top" car was the Granada Gha.

However, in many ways Avis and Hertz are very similar in the services they offer customers and as far as the consumer is concerned their different performances appear to be

determined on the quality of local management and service — both at national or branch level.

For example, if a customer were given a dirty car he might decide never to use that company again.

In the UK, where the market is fairly static for a combination of reasons including a fall-off in tourism this year, competition is fierce and growth is having to be achieved by companies winning markets from their competitors.

Avis ranks among the UK major car rental companies, along with Godfrey Davis, Swan National and the Kenning Motor Group while Hertz ranks alongside Budget as a less significant force in British daily rental.

Lisa Wood



Courtesy service vans run by Hertz shuttle customers from the return car office to three terminals at Heathrow Airport. Incoming passengers are delivered to their cars at the Hertz car park at Heathrow

UK rental industry the largest in Europe

THE BRITISH car rental industry is now the largest in Europe — and if rates are anything to go by, the most competitive.

The Ford Fiesta, for example, costs about £70 a week to hire in the UK but more than £100 a week in Switzerland or Sweden.

It is difficult to estimate the size of the UK market because of its fragmented nature, with the hundreds of small independent operators, but it is reckoned that more than 100,000 rented vehicles are operated.

There are six major companies, most of which offer a full national service: only Hertz, Budget and Avis are international. The "nationals" are (not necessarily in order of size) Swan National, Godfrey Davis, and Kenning. These six companies together probably have about 30 per cent of the market. The rest is the preserve of the many small and medium-sized companies which usually offer a more localised service.

The range of vehicles and services offered by the major

companies is fairly similar, although some, like Avis, offer a fleet of "luxury cars." So the customer is often attracted to a particular company through the quality of local or national management. Because the market is stagnating any growth that can be achieved in the next few years is likely to be at the expense of competitors.

Benefits

In the late 1960s and until 1977 growth by the large companies was rapid. Commercial accounts grew particularly quickly as companies recognised the benefits of leasing or renting cars and tourism reached record levels.

A survey by the British Vehicle Rental and Leasing Association showed that members' fleets grew by more than 25 per cent in 1976-1977.

However, 1979 was a disappointing year for the rental companies. The number of tourists, particularly from the U.S., fell dramatically. Americans have traditionally been

major renters of cars. On the domestic front fuel shortage scares and VAT scared off many potential customers. Any growth in the market — generally believed to be around 5 per cent — was achieved in the business travel market where the fuel crisis and rising transport costs actually increased demand from businessmen for hire cars.

Swan National, which claims to have the largest share of the business market, says that the year was much better for it than for many of its competitors because of this. Mr. Freddie Aldous, managing director of Swan National, said: "The business house market, unlike tourism, is with you for 12 months a year. The company provides customers with an international service via InterRent, which is an association of car rental companies spanning 36 countries and 1,800 offices."

It is on this commercial market that all the national companies are focussing their attention. To this end they are looking to the regions, and

opening new offices there, rather than simply concentrating on airports and major cities in the South East. Godfrey Davis has opened 11 new offices this year and Kenning has opened six new outlets. But because competition is fierce in this market it is predicted by some in the trade that there will be considerably reduced margins.

Companies are also looking to travel agents to help in the fight for more custom. Travel agents are useful in selling both business house car rental and package holiday rental.

Standard commission is paid to travel agents — this ranges from between 15 and 20 per cent, depending on the company. Kenning Car Hire, for example, pays standard commission of 15 per cent, rising to 25 per cent with bonuses.

Companies such as Godfrey Davis, also a Ford main dealer, are heavily involved in car leasing. Godfrey Davis takes vehicles on a financial lease from a primary lessor and

leases them, complete with service, in a form of contract hire.

Godfrey Davis is the largest British car rental company with 180 locations and opened 12 new offices last year. It has the exclusive contract for operating rail/drive at 73 British Rail stations and also has the contract for BA shuttle drive. It also operates a scheme with General Accident whereby it hires cars to motor insurance customers of the company whose cars are off the road.

Confident

With turnover for the six months to the end of September 1979 at £57.02m and a pre-tax profit of £4.4m Godfrey Davis is confident about the market's growth.

Mr. Tom Gibson, managing director, said: "Car-hire is still growing and will continue to do so. 1979 was a difficult year with a fall in tourism but this decline in overseas visitors must be compared with the previous two years which saw a tremen-

dous growth in numbers of visitors."

"The tourist business is also seasonal and UK car rental companies have seen a big demand for business hire and domestic usage. The UK car hire market is no more competitive than it has always been. The market is, however, growing, for car hire grows with car sales, which this year has exceeded 1.7m new registrations."

Mr. Gibson said depreciation costs were high as were interest rates but he did not envisage car rental companies increasing their prices steeply to cope with the increased costs.

Mr. Gibson did not believe, unlike some other rental companies, that second-hand cars were becoming increasingly difficult to sell. "The second-hand car market is patchy," he said, "but there is still strong demand for cars in the 9-12 months age bracket. In fact, the disposal of our fleet this year contributed to our profits."

Lisa Wood

It appears that 1980 is going to be a tough year for car rental companies.

Good.

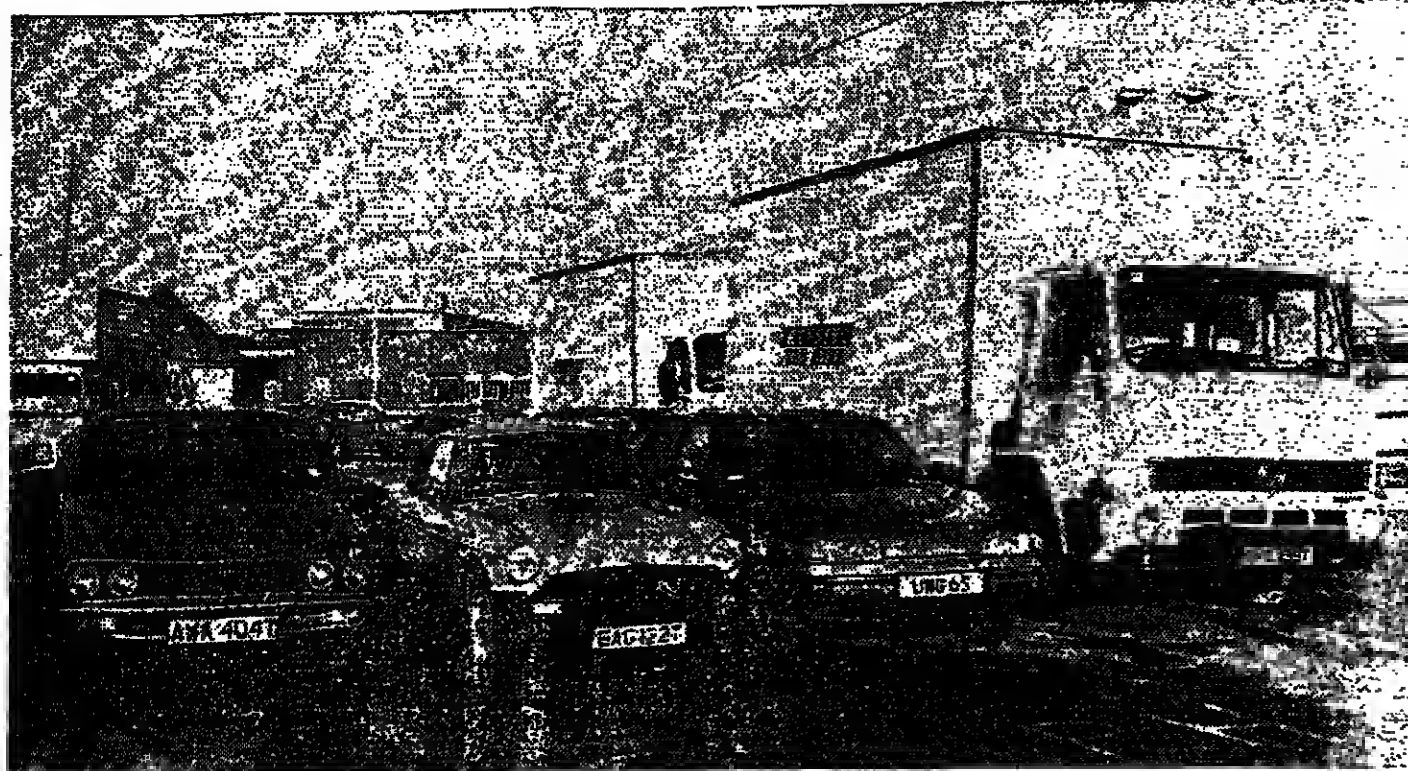
A competitive climate is good for you, because you can demand the very keenest rates.

It's good for us, because consistently Swan National rates have been the lowest of all the national companies. It's been that way for seven years, and perhaps explains why we've grown faster than any company in the history of the business. Call John Leigh on 01-995 9242.

SWAN NATIONAL



من النحل



Kenning Car Hire, one of the main independent companies in Britain, operates from 100 locations and has a combined fleet of 1,200 vehicles

Local operators have 60% market share

A QUICK GLANCE through the Yellow Pages of the Telephone Directory in London, for example, reveals hundreds of relatively small, independent car hire firms.

It is generally believed in the car rental industry that when the "uncommitted" users of car hire want a vehicle for a week-end trip away from their homes they reach for the local papers or the Yellow Pages.

In size the independent com-

panies generally range from those offering fewer than ten vehicles to those with a fleet of about 100 cars. Some offer mainly average family saloons while a few, especially in London, offer chauffeur-driven vehicles. It is estimated that "local operators" comprise more than 60 per cent of the total UK rental market.

Mrs. Tessa Walley and her husband started their car hire business six years ago with

four cars. They had been in the business car accessories trade since 1966 and, as she said: "We did not go into car hire casually—it is a capital intensive business."

Their company, Portobello Mini Hire, in Notting Hill, London, now runs 70 cars in the winter and 100 in the summer. Two-thirds of the vehicles are Mini saloons, one-third are

Fiestas. The cost of the hire of a Mini, including VAT but excluding mileage, is £9.62 a day which is significantly lower than charges made by the multi-nationals and large national companies.

Mrs. Walley said: "We do not have the overheads of the bigger companies." Neither does Portobello offer some of the "luxury" extras provided by Avis and Hertz, for example one-way rental.

Many of Mrs. Walley's customers are "regulars" who, when they call in to book a vehicle, are immediately recognised. She said: "If you as the customer go to one of the big companies there is a different receptionist behind the counter every time."

She is one of the two receptionists at Portobello and welcomes many customers on first-name terms. The company employs five mechanics and services all its own vehicles.

Overheads

Mrs. Walley sees growth in the market in the increasing number of people in London who do not own their own cars, or prefer not to have the overheads of their own vehicles, but who wish to hire a car for visits out of the city.

Replacement costs of new cars are high and have risen steeply but Mrs. Walley said: "The name of the game is doing your figures and making sure they are right."

The independents still hold a major slice of the market and there is little indication that this will change much over the next few years. Customers find these companies relatively inexpensive, convenient and reliable—or else they would not return to hire a second time.

Guy Salmon Car Rentals is an independent company but it is relatively large—with a fleet of 500 cars—and it competes directly with multi-nationals such as Avis Rent A Car for its main business is in luxury cars. The company—a BL main dealer—started to hire cars as a service to existing customers when their cars were off the road. Mr. Richard Salmon, managing director of the company saw a gap in the market between the massive inter-

national car rental corporations and the much smaller local operators.

Four years ago the south-west London-based company opened a new base in the West End to provide it with faster access to London customers. It expanded its fleet of luxury cars and offered a 12 hours a day, 365-days-a-year service.

The company's first luxury cars for hire were the Rover 2000 and the Jaguar XJ6. Now its fleet comprises about 250 cars (out of a total of 500 hire cars) and includes BMW, Rolls-Royce, Mercedes-Benz, Saab Turbo, Porsche 924 and Range Rover vehicles.

Compete

Guy Salmon also supplies smaller rental companies with luxury cars. They market the cars in Guy Salmon's name. This is a form of sub-contracting with Guy Salmon wholesaling car rental.

In its early days the company found that to compete with the bigger rental companies it had to have a free delivery and collection service, particularly as its headquarters were outside central London. This has continued, even with the West End base now operational.

Turnover of cars is rapid—about every nine to 10 months—because, the company believes that if a customer rents a luxury car he does not want a tired-looking vehicle. Despite ever-increasing petrol costs, business has not fallen off. Guy Salmon believes that, basically, a customer renting a luxury car is not interested in the price—he pays for good service.

In December, Guy Salmon had its cars, particularly the Rolls-Royces, booked to capacity. Mr. Richard Salmon said: "Customers appear to be renting the luxury cars, on a short term basis, instead of buying a new car. Economic uncertainties appear to be so great that these people are spending their money now on rental not purchase. Depending on need, renting at this and of the market, as opposed to owning, can be a very sensible option."

But for us, there has developed an apparent polarisation for demand between the luxury cars and the 2000 cc and below models. Rover/Granada renters are tending to move down, whereas the Jaguar/Mercedes customer is continuing as before.

"Even against the current economic background I see the demand for specialised vehicles continuing strongly," he concluded.

Lisa Wood

Payment systems aid the businessman

"THE LAST thing we want is for our customers to pay by cash," admitted an executive with one of the major car rental companies. His company, along with the other larger rental operators, have geared their invoicing system towards billing companies direct. Even private hirings or "one-off" business rentals are usually preferred to be settled either by credit card or through a travel agent.

Smaller, locally-based companies, however, are quite prepared to accept cash payments since their invoicing systems are not as sophisticated as those of the major companies.

The two main types of company invoicing are central billing and direct billing. Central billing is mainly used when companies use a particular operator frequently. Instead of invoicing the company every time a car is hired, the operator sends a monthly account to the company.

This can be of considerable benefit as well to businessmen who, during a month, rent cars in different countries and in different currencies. Avis, which operates such a central billing system, offers the facility only to companies rather than individuals. When personal charge cards are allocated to employees by a com-

pany, they bear the name and address of the company and the account is sent to the company for payment.

Avis says that corporate billing programmes generally carry a minimum discount of 10 per cent, although higher discounts can be arranged for customers providing a higher volume of business.

Direct billing caters for the businessman who does not rent cars very often. The rental operator sends an invoice without delay to the address on the charge card. If the customer rents a car in France, he gets an invoice computed in francs but which can be paid in sterling in the UK.

With direct charge card billing Avis points out that the customer is expected to pay immediately because it is not a credit card.

Most rental companies will accept the major credit cards, such as Barclaycard, Access, American Express, and Diners Club. But the majors also operate their own credit card schemes. These were initially introduced, as with retailers' own credit cards, to encourage customer loyalty for one particular rental company. But there does not appear to be a great deal of brand loyalty

among car hire users—most customers seem to want reliability and convenience rather than a brand image—and the car operators themselves have undermined the scheme by allowing rival operators' credit cards to be used for payment. Avis's own credit card, for example, can be used in Hertz outlets, and vice versa.

One of the major changes in the past few years among the business sector of the car hire market has been the efforts by Budget Rent-A-Car to attract more corporate customers. Budget which claims to be the second largest rental company in the UK, is also a franchised operation. This has enabled it to secure the lower cost of operations of a local car hire company but retain the advantages of a national operation and identity.

Vouchers

Budget has therefore attempted to attract business customers through the introduction of a special "Corp rate" for companies among its franchised outlets.

Among the payment systems offered by Budget are special one-trip travel vouchers which can be used by an employee for one journey only. The company is then invoiced either directly

or as part of its central billing. Another feature is the master account card, which involves the hiring company giving individual clearance in cases where an employee quotes the master account number as a car rental outlet.

Budget also offers pay on return cards, which authorise the holder to rent a car from a Budget office without leaving a deposit. He then pays when he returns the card, and reclaims the money from his company.

A substantial proportion of business and private car hire is carried out through travel agents. Most of these agents receive a discount of up to 20 per cent from the operator for attracting the business, although the rental companies appear reluctant to meet demands for higher discounts since this reduces their profitability. The rental companies, however, are in a difficult position since they need the volume of business generated through travel agents.

The main piece of advice for both private and business car renters on costs, therefore, seems to be to shop around for the right system of payment for your purposes, and the best discount on offer.

David Churchill



Avis offers its own credit card for company customers as do other hire companies, but the original hope that such schemes would encourage brand loyalty has been undermined by allowing the cards to be used to pay for cars hired from rival operators

Car makers woo rental groups with enthusiasm

CAR RENTAL companies are no mean force in the car purchase and second-hand car business. Hertz and Avis both have approaching 250,000 cars under their name world-wide and in Britain alone Kenning Car Hire's total rental fleet of BL vehicles tops five figures.

It is no wonder therefore that the rental groups are wooed with some enthusiasm by the car makers, and it is not only thanks to bite size of the basic order. Many car owners, planning to make a new purchase, rent cars that they are thinking of buying in order to give the

vehicle a thorough trial without the burden of a salesman sitting alongside. A rented car is often a considerable influence on future car purchases even if the prima intention is not to test.

Without question it is Ford cars which dominate the British domestic car rental scene with Hertz Avis and Godfrey Davis all using them. Budget and Kenning are the two major users of BL vehicles. Thrifty and Europcar use large numbers of Renaults (Europcar is a Renault subsidiary) and Vauxhall cars can be found in some numbers in Hertz and Avis fleets to back up their Fordis. Chrysler cars were once the backbone of the Avis fleet, but the Talbot name does not feature strongly these days.

Two factors are important to a car rental company in choosing its fleet for the forthcoming season—consumer popularity and the ease and cost of servicing.

There is little doubt that Ford's success in the first category has helped it enormously. The average Ford car is an unsophisticated beast but in the words of the legendary Fleet Street drama critic, it will "run and run." Its conventionally placed mechanics make it relatively simple to service (gearbox access is one of the complaints about transverse engines) and fairly inexpensive. Simplicity always appeals to rental companies—which is why so many of them loved the old Hillman Hunters—and innovation is always looked upon with doubts and suspicion.

Maybe it is a criticism of us motorists but when it comes to rental apparently we tend to be conservative too. While our eyes may glaze at the amazing intricacies of a Porsche or Ferrari, when it comes to rental we go for something which has no more knobs than we can handle and as few potential irritants under the bonnet as possible.

But hidden in the formula is another key problem the car sales asset rather than a sales

rental companies have to face. That is the cost of purchase and the prospective receipts on resale. Traditionally, car rental companies operate on three basic systems of maintaining their car fleets. These are the direct purchase and sale of vehicles, the acquisition of cars on a guaranteed repurchase basis, and leasing. The particular mix will depend on how the company sees the market developing over the year.

Thus in periods when a rental group thinks that autumn second-hand car prices will be high and that new cars in the spring are underpriced, it will buy a high percentage of its fleet. If it foresees a low level of interest rates, it might endeavour to ensure that others take the financial risk. High interest rates, oil crises which provoke a sudden rush for small vehicles, and industrial disputes all make the annual decision on what the corporate strategy should be that much more difficult.

Decision

If a wrong decision is made the costs can be very high. A miscalculation of only £50 on the average amount receivable for second-hand vehicles in a fleet of say, 10,000 cars, can make quite a dent in profits.

It is normal these days for the car rental companies to dispose of their vehicles within the trade. Some companies do sell their used vehicles direct to the public—and a rental car has usually been superbly maintained—but no one seems to make any great song and dance about this facility. Hertz pulled out of the direct sales market some time ago when it found that more staff were involved in the sales process than could be justified by the additional profits received as a result of cutting out the trade sales system. Was a rental company already based on an established car selling side of its activities then the rental fleet becomes, of course, a sales asset rather than a sales

liability. It is extremely difficult to assess what impact the rental companies have on the second-hand car business. However, they must be the major source of supply of such vehicles as Corvairs, Granadas, Fiestas and VW batchbacks each autumn. Buy any of these (one year old or less) vehicles from a garage in the autumn and there is a good chance it will have been a summer rental fleet car.

As with most other aspects of the business no one is particularly keen to start speculating on the condition of the market eight or nine months hence. Nonetheless speculation will have to be made over the next few weeks as decisions are taken on the sales and mixes of summer fleets. One of the problems the companies face is that people tend to rent slightly larger cars than they in fact wish, or are able, to own personally. Thus while running costs and fuel prices may tend to make the average family motorist look to the smallest cars in the market (the Group A's in rental parlance) when they rent they might instead look to groups B and C.

When rental companies have reckoned that oil crises would make everyone rush for tiny vehicles they have been proved slightly wrong—there has been a trend rather than a rush. When petrol stations are closed it is the range of the car that counts rather than the miles it actually does to the gallon.

Oddly enough one end of the market which is still healthy is the luxury rental business. Rolls-Royce, Daimler, Jaguar and Mercedes will all benefit from rental group purchases this year. It is the old matter of wishing to impress. When you are trying to show a rival, or a buyer that things are going well, you park your Maxi around the corner and rent a Jag for the actual visit. But then the psychology of car rental is another story altogether.

Arthur Sandles

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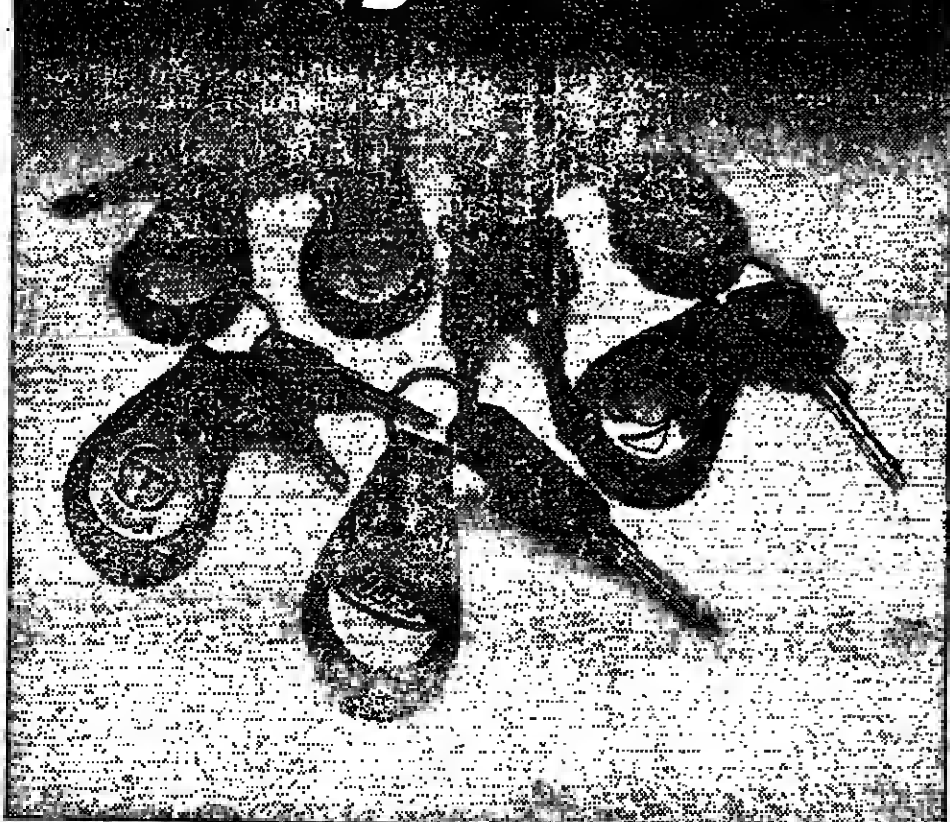
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